

NATIONAL HEALTH SERVICE REORGANISATION ACT 1973
NATIONAL HEALTH SERVICE ACT 1977
HEALTH SERVICES ACT 1980
HEALTH AND SOCIAL SERVICES AND SOCIAL SECURITY ADJUDICATIONS ACT 1983
HEALTH AND SOCIAL SECURITY ACT 1984
NATIONAL HEALTH SERVICE AND COMMUNITY CARE ACT 1990

Summarised Accounts, of Health Authorities, Family Health Services Authorities and NHS Trusts in England, of the Dental Practice Board and Special Health Authorities providing central services in England, and of Funds held on Trust by Health Authorities, NHS Trusts, Special Health Authorities and Special Trustees in England, for the year ended 31 March 1995 together with the Report of the Comptroller and Auditor General thereon. (In continuation of House of Commons Paper No. 710 of 1994–95.)

Presented pursuant to Acts 1973 c32 s86(4) and 1977 c.49, s.98(4)

NHS (England)

Summarised Accounts 1994–95

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 11 MARCH 1996



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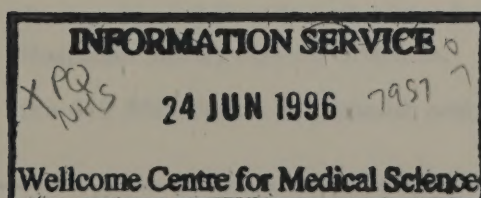
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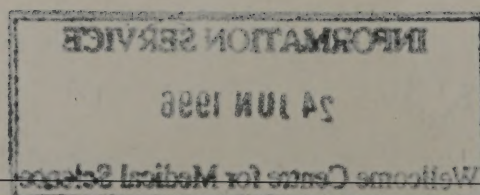
LONDON : HMSO
288



14 MARCH 1996
£16.00

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Report of the Comptroller and Auditor General

NHS Summarised Accounts for England 1994-95

- Summary**
- 1 This Report sets out the nature of the NHS Summarised Accounts for England in 1994-95 and the scope of my audit (paragraphs 5 to 11). It includes sections on the financial outturn and performance of NHS Trusts in England against their financial targets (paragraphs 12 to 34).
 - 2 My Report draws attention to extra-statutory payments made by family health services authorities to general practitioners in respect of practice fund management allowances and extra-statutory general medical services expenditure (paragraphs 35 to 41).
 - 3 I also report on the use of budget savings by general practitioner fundholders, for purposes not authorised by the fundholding Regulations (paragraphs 42 to 46).
 - 4 My Report on the NHS Summarised accounts for 1993-94 contained details of irregular payments made by health authorities on employment termination settlements and relocation support. In this Report, I set out details of further cases and action taken by the NHS Executive to regularise the position (paragraphs 47 to 54).
- Accounts and audit**
- 5 NHS organisations in England are required to prepare annual accounts and to transmit them to the Department of Health, under section 98 of the National Health Service Act 1977. The accounts must be audited by auditors appointed by the Audit Commission for Local Authorities and the National Health Service in England and Wales.
 - 6 Under the same section of the Act the Secretary of State is required to prepare summarised accounts from the individual accounts of the bodies, in such form as the Treasury may direct, and transmit them to me. The Act requires me to examine, certify and report on those summarised accounts and permits me to examine the accounts of the individual bodies, any records relating to them and any report of the auditors on them.
 - 7 The summarised accounts covered by this Report are prepared from the accounts of:
 - the 118 Regional and District Health Authorities and the two Special Health Authorities for the London Postgraduate Teaching Hospitals;
 - the Funds held on trust by Regional and District Health Authorities, NHS Trusts, Special Health Authorities for the London Postgraduate Teaching Hospitals and by Special Trustees;
 - the 419 NHS Trusts in England; and

- the 90 Family Health Services Authorities in England.

8 In addition, this Report covers the accounts of the following health authorities, which are summarised individually:

- the National Blood Authority;
- the United Kingdom Transplant Support Service Authority;
- the National Health Service Supplies Authority;
- the Health Education Authority and its funds held on trust;
- the Dental Practice Board;
- the Prescription Pricing Authority;
- the Special Hospitals Service Authority and its funds held on trust;
- the Mental Health Act Commission; and
- the Microbiological Research Authority.

9 Similar summarised accounts for Scotland and for Wales are published in separate House of Commons papers.

10 In examining the summarised accounts, I assessed the reliability of the information contained in the audited accounts of the individual NHS bodies by reviewing the work of the appointed auditors and scrutinising their reports. I also examined the summarisation of individual accounts by the Department of Health and the NHS Executive.

11 In addition, under section 6 of the National Audit Act 1983, I examine the economy, efficiency and effectiveness with which NHS bodies have used their resources. The results of such value for money examinations are published in separate Reports made to the House of Commons under section 9 of that Act. Recent Reports on issues affecting the NHS in England are:

- Treasury Management in National Health Service Trusts in England (HC7, 1994-95)
- General Practitioner Fundholding in England (HC51, 1994-95)
- Contracting for Acute Health Care in England (HC261, 1994-95)
- National Health Service: Outpatient Services in England and Wales (HC359, 1994-95)
- Clinical Audit in England (HC27, 1995-96).

**Financial outturn
and performance
of NHS Trusts in
England for 1994-95**

12 NHS Trusts are responsible for the provision of NHS health care. They receive most of their income from purchasers of health care (mainly district health authorities, family health services authorities and general practitioner fundholders) on the basis of contracts between them. District health authorities are still responsible for some hospitals and other health care facilities, known as directly managed units, but the NHS Executive ultimately expect all services to be provided by NHS Trusts.

- 13 There were 419 NHS Trusts in England in the year commencing 1 April 1994, an increase from 292 over the previous year. They each submitted audited accounts which form the basis of the summarised accounts.
- 14 The financial performance of each NHS Trust is monitored against three targets. Section 10(1) of the National Health Service and Community Care Act 1990 requires Trusts to ensure that their revenue is not less than sufficient, taking one year with another, to meet the outgoings properly chargeable to the revenue account. This is known as the duty to break even. The NHS Executive also require Trusts to achieve a target rate of return of six per cent on the value of their average relevant net assets and to stay within agreed external financing limits for the year.
- 15 The overall performance of NHS Trusts against their financial targets in 1994-95, as recorded in their annual accounts, is shown in Table 1 below.

Table 1: Financial performance of NHS Trusts in England

	Number of NHS Trusts		Percentage of NHS Trusts	
	1993-94	1994-95	1993-94	1994-95
Total NHS Trusts	292	419	100	100
Targets achieved				
All three	241	309	83	74
Rate of Return	252	326	86	78
Break even	269	383	92	91
External Financing Limit	285*	406	98*	97

Note: Some NHS Trusts failed more than one target; the number of NHS Trusts which failed individual targets does not therefore equal the number which failed all three targets.

* restated figures, to reflect 'de minimis' limit of £10,000

Source: Annual audited accounts of NHS Trusts for 1993-94 and 1994-95, England.

Rate of return

- 16 The NHS Executive expect NHS Trusts to achieve a rate of return of six per cent on average relevant net assets. The purpose of the target is to encourage Trusts to use public funds efficiently.
- 17 Table 1 shows that in 1994-95 78 per cent (326) of NHS Trusts in England met or exceeded the target rate of return (86 per cent in 1993-94). The average rate of return of all 419 Trusts was 6.6 per cent (7.6 per cent in 1993-94).
- 18 The NHS Executive have investigated those NHS Trusts whose rates of return fell below the target and found that there were acceptable reasons in 47 of the 93 cases. For instance:
- the calculation of the operating surplus which each Trust must achieve to meet this target is based on its planned average relevant net assets. In

some cases, actual net assets differed from those anticipated at the time when the Trust agreed its contract prices and this affected the actual rate of return achieved.

- some Trusts were affected by a change in the accounting treatment, in March 1995, for the costs of early retirements. Costs were charged to the income and expenditure account which were not anticipated when contract prices were agreed.

19 For reasons such as these, Trusts may have achieved rates of return below six per cent without reflecting adversely on their managerial performance.

20 In the other 46 cases, however, the NHS Executive concluded that the failures to achieve the target rate of return were not acceptable and reflected adversely on managerial performance. The main reasons for these failures were:

- higher levels of expenditure than planned (in some cases due to slippage in cost improvement programmes) (13 Trusts);
- lower levels of income than Trusts expected (11 Trusts);
- activity levels greater than those contracted for (four Trusts);
- unanticipated accounting adjustments (11 Trusts); and
- miscellaneous other instances of poor financial management (seven Trusts).

21 In these cases the Regional Offices of the NHS Executive have discussed the reasons for the failures against the target with the Trusts concerned, and agreed action to be taken to ensure that the Trusts are able to meet their targets in future years. In some cases this has involved discussions with the relevant purchasing health authorities.

Break even

22 To meet the duty to break even, NHS Trusts must ensure that, taking one year with another, total expenditure, including payments to the Exchequer of dividends and interest on their Originating Capital Debt, does not exceed income received. Trusts may also plan to make a revenue surplus which can be used for capital investment, repayment of loans, or held in Government approved securities.

23 Ninety-one per cent (383) of NHS Trusts broke even or recorded a retained surplus in 1994-95 (92 per cent in 1993-94). Overall, Trusts achieved an operating surplus of £1,059 million and a retained surplus, after dividends and interest, of £179 million.

24 Thirty-six Trusts failed to break even and thus recorded a retained deficit for 1994-95. The deficits ranged from £25,000 to £8,378,000, of which ten exceeded £1,000,000. 29 of these 36 Trusts also failed the rate of return target.

- 25 The NHS Executive have investigated these deficits and found that there were acceptable reasons for 20 of the 36 Trusts which recorded a deficit, namely, revised accounting treatment of early retirement costs (11 Trusts), losses on the disposal of fixed assets (five Trusts) and other reasons (four Trusts).
- 26 The other 16 Trusts generally made deficits for the same reasons as they failed the rate of return target, namely excess expenditure (three Trusts), failure to achieve planned income (four Trusts), activity levels greater than contracted (one Trust) and other reasons (eight Trusts). Regional Offices of the NHS Executive have discussed these deficits, and any action necessary to rectify the position, with the Trusts concerned (paragraph 21).

External Financing Limits

- 27 As part of the process of controlling public expenditure, the NHS Executive, in conjunction with the Treasury, set an overall limit for the external financing requirements of NHS Trusts. The overall external financing limit agreed with the Treasury in 1994-95 was £630 million. The limit set by the NHS Executive for Trusts was £611 million and the actual external financing requirement was £590 million.
- 28 Within the overall external financing limit, the NHS Executive set a limit for each NHS Trust. The calculation of each limit determines the amount a Trust can borrow from external sources, normally the Secretary of State, to finance capital expenditure.
- 29 NHS Trusts are required to inform the NHS Executive as soon as they become aware that they might exceed their external financing limit. The NHS Executive may then raise the external financing limit, but will only do so if satisfied with the reasons for the request and provided that the overall external financing limit for the National Health Service in England is not exceeded.
- 30 In 1994-95, 406 (97 per cent) of the 419 NHS Trusts achieved their external financing limits exactly or within a small margin (285, 98 per cent, in 1993-94). The largest excess was £161,000.

- 31 The 13 Trusts which exceeded their limits by more than £10,000 all did so for technical accounting reasons which do not indicate underlying financial difficulties at the Trusts concerned.

Overall Performance

- 32 In 1994-95, 74 per cent of NHS Trusts in England met all their financial targets (83 per cent in 1993-94). Of the 51 Trusts which failed one or more financial target in 1993-94, 14 also did so in 1994-95.
- 33 The Regional Offices of the NHS Executive monitor NHS Trusts. Where they consider that the failure of a Trust to meet one or more of their targets indicates a significant financial problem, monitoring is increased until the Regional Office is assured that the financial position has been recovered. If timely recovery is not considered possible, the NHS Executive consider alternative solutions such as merger with another Trust.

- 34 Of the 14 Trusts which failed to meet one or more targets in both 1993-94 and 1994-95, the NHS Executive identified two where the failure was a serious cause for concern in both years. One of these Trusts experienced significant financial difficulties in 1993-94 because a cost improvement programme slipped, and the Trust incurred a deficit on a contract for accident and emergency services, and earned less income than forecast. The Regional Office of the NHS Executive have been facilitating discussions between the Trust and health authorities and have approved a restructuring plan but this was approved too late to show significant effects in 1994-95. The other Trust recognised that it faced severe financial difficulties, compounded by its small size, during 1993-94. Discussions took place in 1993-94 regarding a potential merger with another Trust but this has been delayed until 1 April 1996.

Extra-statutory payments

Practice fund management allowances

- 35 Section 15 of the National Health Service and Community Care Act 1990 enables family health services authorities to make payments to general practitioner fundholders, subject to the provision of regulations by the NHS Executive.
- 36 Note 15 to the summarised account of family health services authorities draws attention to payments made to fundholders to enable them to meet the additional costs incurred in managing their funds. Between April 1990 and March 1995, these payments amounted to £159.7 million, including £64.5 million made during 1994-95.
- 37 The regulations covering this expenditure did not come into effect until 1 April 1995. Until that date, family health services authorities did not have the necessary powers to make these extra-statutory payments, which the Treasury have retrospectively authorised.

General medical services allocations

- 38 Under Section 97(3) of the National Health Service Act 1977, family health services authorities are able to fund directly practice expenses of general practitioners. These monies are cash limited and must only be used to reimburse general practitioners in accordance with the National Health Service General Medical Services Statement of Fees and Allowances.
- 39 In March 1995, a High Court judgement ruled that payments made by a family health services authority, to fund the employment of a number of staff to help arrange or provide health care services, were unlawful. These staff were employed either by the family health services authority or by other health agencies, rather than by general practitioner practices. The payments had been made by the authority from the general medical services allocation but were outside the scope of the Statement of Fees and Allowances governing payments from this allocation.
- 40 As a result of the High Court judgement, the NHS Executive have required family health services authorities to note, in their 1994-95 accounts, the amounts of any payments made from 1 April 1990 to 31 March 1995 which were outside the scope of the Statement of Fees and Allowances. The total

amount disclosed is £41.8 million, of which £11.8 million was incurred in 1994-95. The payments relate to expenditure on such items as nursing and medical advisers, health care advocacy and other similar projects. The Treasury have agreed that these payments can be treated as extra-statutory.

- 41 The NHS Executive wrote to regional health authorities in May 1995 and told them that general medical services allocations can only be used to reimburse directly the practice expenses specified in the Statement of Fees and Allowances. The Executive are considering whether further guidance needs to be issued in view of the extent of payments outside the scope of the Statement.

Expenditure from General Practitioner fundholders' budget savings

- 42 Regulation 24(2) of the National Health Service (Fundholding Practices) Regulations 1993 defines the use which general practitioner fundholders may make of their budget savings. One approved use is 'the improvement of any premises from which the members of the practice carry on their practice, whether by improving the structure of the premises or the purchase of furniture and fittings for the premises.'
- 43 The appointed auditor of one family health services authority reported that the authority approved the use of savings amounting to £60,000 by one fundholding practice, for the purchase of premises adjoining the existing surgery. Payment of this amount was made in April 1994. The surgery could only be expanded in this way, but the use of fundholder savings to purchase new premises, as opposed to improving existing premises, is beyond the scope of the Regulations.
- 44 The NHS Executive told me that the scheme was entered into in good faith, albeit in error, with the intention of enabling the practice to provide a wider range of services for their patients.
- 45 The relevant regional health authority have now issued guidance to family health services authorities in the region, on the use of fundholder savings for the development of premises. In addition, the NHS Executive issued guidance in September 1995 to all regional health authorities, family health services authorities and fundholding practices, re-emphasising that savings may not be spent on land or new buildings.
- 46 Appointed auditors are considering a small number of other cases where the use of fundholder savings may be outside the scope of the Regulations. The NHS Executive have instructed their Regional Offices to monitor compliance with the guidance to determine whether any further clarification is required.
- Financial support for relocation of staff** 47 I qualified my opinion on the summarised account of regional and district health authorities for 1993-94, in respect of payments by health authorities to meet capital losses on the sale of property, following the transfer of staff from other health authorities. My Report on the 1993-94 summarised accounts referred to 18 such payments totalling £579,000. Until February 1993, section 26 of the General Whitley Council agreements did not allow such payments. The NHS Executive also accept that a further payment of £75,000, referred to

in my Report on the 1993-94 summarised accounts, was beyond the powers of the health authority concerned. The NHS Executive have advised the relevant health authorities to pursue recovery of these 19 payments. I am continuing to investigate the circumstances at the regional health authority which made 17 of these payments.

- 48 The appointed auditor of another health authority has notified the NHS Executive of a further three relocation payments, between July and November 1992, amounting to £52,500. The NHS Executive are investigating these payments to determine whether they were beyond the powers of the health authority.

Employment termination settlements

- 49 In my Reports on the NHS summarised accounts for England for 1992-93 and 1993-94 (HC 658, session 1993-94 and HC 710, session 1994-95) I drew attention to 87 employment termination settlements, totalling £3,056,000, which were not in accordance with existing regulations. I qualified my opinion on the summarised accounts of health authorities and of family health services authorities in England for 1992-93 in view of the irregularity of the associated expenditure.
- 50 After considering the information held by health authorities about the circumstances of these employment termination settlements, the NHS Executive and the Treasury sought legal advice on the prospects of recovering the irregular expenditure. On the basis of counsel's opinion about the general prospects of recovery, the NHS Executive concluded, with the agreement of the Treasury, that steps would be taken to recover the payments in appropriate cases.
- 51 In May 1994, the NHS Executive issued new guidance to health authorities in England to enable them to make contractual payments to staff on short-term rolling contracts, in cases where their employment is terminated. The guidance lays down conditions which need to be met, and that each payment needs the approval of the Secretary of State.
- 52 The NHS Executive have now been advised of seven further cases of employment termination settlements, totalling approximately £500,000, made before May 1994, which were not covered by the Direction contained in this guidance and which may therefore have been beyond the powers of the health authorities concerned. The NHS Executive are investigating these cases and will seek the Treasury's approval of their proposed action in each case.
- 53 Furthermore, the appointed auditor of one of the Special Health Authorities has identified two employment termination settlements, totalling £104,176, made by the Authority in February 1995, after the new guidelines were issued in May 1994. The Authority did not seek the Secretary of State's approval for the payments, as required by the guidelines, and these payments were therefore irregular. I have also identified an employment termination settlement of £76,508 made by a second Special Health Authority for which the Secretary of State's approval was not obtained, which was also therefore irregular. The NHS Executive are investigating these cases to determine what

course of action to pursue in each case and will seek the Treasury's approval where necessary.

- 54 The NHS Executive told me that they intend to write to all special health authorities reminding them that they are subject to the guidance on the conditions of service for general and senior managers applicable generally to health authorities.

John Bourn
Comptroller and Auditor General
29 February 1996

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Foreword

- 1 This account has been prepared by the Department of Health under section 98 of the National Health Service Act 1977 in a form directed by the Treasury, for transmission on or before 30 November to the Comptroller and Auditor General for examination and certification. This section also provides for the accounts of individual authorities to be audited by auditors appointed by the Audit Commission for Local Authorities and the National Health Service in England and Wales and affords the Comptroller and Auditor General access to the reports of the Commission's appointed auditors on the accounts of individual authorities and to those accounts and related records.
- 2 The audit of the annual accounts of all health authorities has been completed and this summarised account is therefore based on audited figures.
- 3 Regional and District Health Authorities, and Special Health Authorities for the London Postgraduate Teaching Hospitals, are established under sections 8 and 11 of the National Health Service Act 1977 to exercise, on behalf of the Secretary of State, such of his functions as he directs relating to the Health Service. The expenditure shown in this summarised account is charged to Class XII, Vote 1, in the Department's Appropriation Account (Hospital and Community Health Services, Family Health Services (part) and Other Services, England).
- 4 Authorities' liabilities (primarily sums due to creditors) will at any time usually exceed their current assets. This occurs because, whilst the account includes accrued expenditure on goods and services, the main source of income, cash advances from the Department within an approved cash limit, are recorded on a receipts basis only (see Note 1 to the account – Accounting Policies). Authorities are required to keep their cash and bank balances at an absolute minimum. They are expected to draw from the Department on a day to day basis only as much cash as is required to meet cheques etc. presented to their bankers for payment. The extent to which issued cheques etc. were unrepresented reflects as overdrawn cash and bank balances on the balance sheet. Any increase or decrease in the net liabilities (which takes account of movements in stocks, debtors and cash balances, as well as creditors) over the year appears in the income and expenditure account as either an excess of expenditure over income or an excess of income over expenditure.
- 5 Some hospitals and other provider services which in previous years had been administered by Health Authorities have become NHS Trusts in accordance with the National Health Service and Community Care Act 1990. The financial results of the activities of the NHS Trusts are disclosed in a separate summarised account.

Alan Langlands
Accounting Officer

28 November 1995

Statement of Secretary of State's and Accounting Officer's responsibilities

Section 98 (4) of the National Health Service Act 1977 requires the Secretary of State to prepare a statement of accounts for each financial year in the form and on the basis determined by the Treasury. The accounts are prepared on behalf of the Secretary of State by the Accounting Officer on an accruals basis and must present fairly the state of affairs of health authorities at the year end and their income and expenditure and cash flows for the financial year.

In preparing the accounts the Accounting Officer is required to:

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to do so.

The Treasury have appointed the Chief Executive of the National Health Service as the Accounting Officer for the Summarised Account of health authorities. His relevant responsibilities, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Accounting Officers' memorandum issued by the Treasury and published in "Government Accounting" (HMSO).

Income and Expenditure Account for the year ended 31 March 1995

	Notes	Continuing Operations £000	Discontinued Operations £000	Total £000	Total 1993-94 £000
Income					
Department of Health Revenue Funding	2	20,400,999	–	20,400,999	19,609,084
Other income	3	502,349	–	502,349	1,043,311
		<u>20,903,348</u>	<u>–</u>	<u>20,903,348</u>	<u>20,652,395</u>
Expenditure					
Health care and related services purchased	4	18,902,712	–	18,902,712	18,690,818
Administration and other services	5	2,049,207	1,378	2,050,585	1,903,253
		<u>20,951,919</u>	<u>1,378</u>	<u>20,953,297</u>	<u>20,594,071</u>
Authorities' (Deficit)/Surplus		(48,571)	(1,378)	(49,949)	58,324
Net Revenue Operating Surplus/(Deficit) of Directly Managed Units	6	(998)	6,159	5,161	(14,270)
Net Revenue Operating (Deficit)/Surplus of Common Service Agencies	7	(9,078)	413	(8,665)	4,954
(Deficit)/Surplus for the financial year		<u>(58,647)</u>	<u>5,194</u>	<u>(53,453)</u>	<u>49,008</u>

The discontinued operations are parts of the health authorities which became NHS Trusts on 1 April 1995.

The notes at pages 7 to 17 form part of this account

Statement of Total Recognised Gains and
Losses for the year ended 31 March 1995

	1993-94	
	£000	£000
(Deficit)/surplus for the financial year	(53,453)	49,008
Unrealised (deficit)/surplus on the revaluation of fixed assets	(408,098)	548,333
Net assets transferred to NHS bodies	(4,287,237)	(4,551,444)
Total recognised losses	(4,748,788)	(3,954,103)

The notes at pages 7 to 17 form part of this account

Balance Sheet as at 31 March 1995

	Notes	£000	31 March 1994 £000
Fixed Assets	8	<u>4,029,091</u>	<u>10,009,515</u>
Current Assets			
Stocks		14,366	92,521
Debtors	9	330,198	602,150
Cash at bank and in hand		<u>93,891</u>	<u>86,982</u>
		<u>438,455</u>	<u>781,653</u>
Current Liabilities			
Creditors: amounts falling due within one year	10	413,459	764,220
Bank overdraft		<u>12,039</u>	<u>16,326</u>
		<u>425,498</u>	<u>780,546</u>
Net current assets		12,957	1,107
Creditors: amounts falling due after more than one year		<u>(5,645)</u>	<u>(873)</u>
Total net assets		<u>4,036,403</u>	<u>10,009,749</u>
Financed By:			
Capital account	13	3,996,539	9,777,966
Donation reserve	14	32,552	231,549
Balance due to Department		<u>7,312</u>	<u>234</u>
		<u>4,036,403</u>	<u>10,009,749</u>

The notes at pages 7 to 17 form part of this account

Alan Langlands
Accounting Officer

28 November 1995

Cash Flow Statement for the year ended 31 March 1995

	Notes	£000	31 March 1994 £000
Net cash inflow from operating activities	15	12,713	8,324
Investing Activities:			
Payments to acquire tangible fixed assets		(160,174)	(597,748)
Receipts from the sale of tangible fixed assets		<u>151,690</u>	<u>161,149</u>
Net cash outflow from investing activities		<u>(8,484)</u>	<u>(436,599)</u>
Net cash inflow/(outflow) before financing		<u>4,229</u>	<u>(428,275)</u>
Financing:			
Capital funding		6,202	411,404
Donations		<u>765</u>	<u>23,196</u>
Net cash inflow from financing		6,967	434,600
Increase in cash and cash equivalents	16	<u>11,196</u>	<u>6,325</u>

The notes at pages 7 to 17 form part of this account

Notes to the Account

Accounting policies

1 Accounting Conventions

- 1.1 This account has been prepared under the historical cost convention modified to reflect changes in the value of fixed assets, and in accordance with the standard accounting practice for the NHS approved by the Secretary of State and accounts directions issued by the Treasury. The comparative figures are for the year ended 31 March 1994. No adjustment has been made to reflect the transfer of expenditure and assets due to the establishment of 143 NHS Trusts on 1 April 1994. The cash flow statement shows the movement in cash in the period 1 April 1994 to 31 March 1995.

Income Allocations

- 1.2 The main source of funding for the health authorities is cash advances from the Department of Health within an approved cash limit; these advances are recorded in the account on a receipts basis rather than on an accruals basis.

Fixed Assets

- 1.3 The treatment of fixed assets in the account is in accordance with the principal capital charges objective to ensure that such charges are fully reflected in the pricing of hospital services in order to promote fair competition within the NHS and also between the NHS and the private sector. The interest rate applied to capital charges in the financial year 1994-95 was 6%. A capital charge adjustment is made to the interest charge at the year end. This is the difference between the actual capital charge and the estimated (and paid) capital charge.

a. Capitalisation

All assets falling into the following categories are capitalised:

- i tangible assets which are capable of being used for more than one year, and have a cost equal to or greater than £5000;
- ii groups of tangible assets which are interdependent or would normally be provided or replaced as a group with a total value in excess of £5000 and an individual value of £250 or more.

b. Valuation

Fixed assets are valued as follows:

- i Land, buildings, installations and fittings held for operational use are stated at their depreciated replacement cost. Surplus land and buildings are stated at open market value for their alternative use. Valuations are carried out by the District Valuer of the Inland Revenue at three-yearly intervals. The last valuation was made on 1 April 1992. From 1 April 1995 such valuations will be at five-yearly intervals. Between valuations price indices appropriate to the category of asset are applied to arrive at the current value;

- ii equipment held for operational use is valued at depreciated replacement cost. Surplus equipment is valued at the net recoverable amount;
- iii assets in the course of construction are valued at current cost, including indexation.

c. Depreciation

Depreciation is charged on each main class of tangible asset as follows:

- i Land and assets in the course of construction are not depreciated;
- ii buildings, installations and fittings are depreciated on their revalued amount over the assessed remaining life of the asset as advised by the District Valuer;
- iii equipment is depreciated over the estimated life of the asset:

	Years
moveable engineering plant and equipment and long life medical equipment	15
furniture and medium life medical equipment	10
mainframe information technology installations	8
vehicles and soft furnishings	7
office, information technology, short life medical and other equipment	5

d. Donated Assets

Donated assets are capitalised at their valuation on a full replacement cost basis on receipt and are revalued and depreciated as above for other fixed assets.

Stocks and Work in Progress

- 1.4 Stocks and work in progress are valued at the lower of cost and net realisable value. Work in progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are not accounted for as work in progress but are accounted for in the year in which they occur.

Losses and Special Payments

- 1.5 Losses and special payments are charged to the relevant functional headings, including losses which would have been made good through insurance cover had health authorities not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

Pensions Contributions

- 1.6 The cost of employer pensions contributions to the NHS Superannuation and other schemes is charged to the income and expenditure account.

Clinical Negligence Costs

- 1.7 Clinical negligence costs are treated as operating expenses to an annual limit (£300,000) set by the NHS Executive. Health authorities may treat costs above this limit as deferred expenditure within other debtors. This deferred expenditure is financed by government loans which are amortised over the period of the loan. The amortisation expense and interest on the loan are charged to the income and expenditure account.

Research and Development

- 1.8 Research and development expenditure is written off as it is incurred.

Leases

- 1.9 Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. Rentals under operating leases are charged on a straight line basis over the terms of the leases.

Auditors' Remuneration

- 1.10 Audit fees disclosed in Note 5 are for the audit of the individual health authorities. Auditors' remuneration for other work is disclosed in notes 5, 6 and 7.

Department of Health Funding	2		1993-94
		£000	£000
		Cash advances made from Class XII, Vote 1 and brought to account in the Department's Appropriation Accounts were:	
		20,400,999	19,609,084
Other Income	3		1993-94
		£000	£000
		Capital charges received by regional health authorities	883,268
		Miscellaneous	160,043
		502,349	1,043,311
Health Care and Related Services Purchased	4		1993-94
		£000	£000
		Directly Managed Units	6,220,397
		NHS Trusts	11,704,849
		Other providers of health care	765,572
		18,902,712	18,690,818

Administration and 5
Other Services

	1993-94	
	£000	£000
The expenses of the authorities were:		
Non-executive members' remuneration	5,310	8,789
Other salaries and wages	359,490	385,207
Supplies and Services:		
– clinical	5,585	4,398
– general	1,970	3,370
Establishment costs	53,521	55,434
Transport and moveable plant	732	1,255
Premises and fixed plant	85,343	79,107
Agency services	59,302	36,856
Depreciation	95,374	67,496
Interest	86,604	69,677
Auditors' remuneration:		
– Audit fee	7,156	11,332
– Other fees	1,591	1,348
Recharges from NHS bodies	652,199	474,233
Miscellaneous	636,408	704,751
	<u>2,050,585</u>	<u>1,903,253</u>

Hire and operating rentals included in expenses:

Hire of plant and machinery	915
Other operating leases	42,706
	<u>43,621</u>

Authority members' remuneration:

Non-executive members' remuneration	5,310	8,789
-------------------------------------	-------	-------

Executive members' remuneration:

Basic salaries	27,503	31,595
Benefits	960	–
Performance related bonuses	1,670	–
Pension contributions	1,162	–
Contributions for loss of office	865	–
Pensions to former directors	583	204
	<u>38,053</u>	<u>40,588</u>

In 1993-94 executive members' remuneration was not analysed between basic salaries and other benefits.

Executive members and staff costs (including authorities' directly managed units and common service agencies):

Staff costs	1,067,748	4,663,733
Social security costs	87,668	352,518
Other pension costs	37,812	144,131
Agency staff	44,535	102,773
	<u>1,237,763</u>	<u>5,263,155</u>

The average number of employees (excluding agency staff) during the year was 68,084 (1993-94: 356,275).

Operating Surplus/ (Deficit) of directly managed units	6	£000	1993-94 £000
Income			
<i>Income from activities</i>			
Health authorities		709,011	5,740,870
General Practitioner fundholders		40,439	276,725
NHS Trusts		5,746	18,121
Department of Health		29,580	41,423
Non-NHS			
– private patients		5,942	66,391
– other		7,279	25,808
		<u>797,997</u>	<u>6,169,338</u>
<i>Other operating income</i>			
Other income		119,607	662,304
Charitable and other contributions to expenditure		6,802	13,671
Transfers from the donation reserve in respect of depreciation on donated assets		1,562	11,194
		<u>127,971</u>	<u>687,169</u>
		<u>925,968</u>	<u>6,856,507</u>
Operating expenses			
Salaries and wages		546,850	4,224,747
Supplies and services			
– clinical		97,632	635,048
– general		18,771	139,013
Establishment expenses		20,288	170,280
Transport and moveable plant		3,816	18,222
Premises and fixed plant		56,723	408,000
Agency services		2,479	28,596
Capital			
– Depreciation		29,338	277,285
– Capital charges interest		53,216	435,854
Miscellaneous		29,937	183,296
Other auditors' remuneration		196	619
Recharges from health authorities		61,561	349,817
Total Expenses		<u>920,807</u>	<u>6,870,777</u>
Net Surplus/(Deficit)		<u>5,161</u>	<u>(14,270)</u>

Directly managed units provide clinical healthcare under the direct management of a district health authority.

Hire and operating rentals included in expenses:

Hire of plant and machinery	271
Other operating leases	1,793
	<u>2,064</u>

Operating Deficit/ (Surplus) of Common Services Agencies	7	1993-94	
		£000	£000
Income		611,325	1,132,494
Operating Expenses			
Staff costs		331,423	644,412
Supplies and Services			
– clinical		9,341	63,200
– general		5,940	15,308
Establishment expenses		28,973	50,126
Transport and moveable plant		9,945	23,911
Premises and fixed plant		52,134	86,680
Agency services		5,163	7,577
Capital			
– Depreciation		12,964	31,700
– Capital charges interest		14,717	30,820
Other auditors' remuneration		24	293
Miscellaneous		116,229	130,341
Recharges from other units or health authorities		33,137	43,172
Total Expenses		619,990	1,127,540
Net (Deficit)/Surplus		(8,665)	4,954
Hire and operating rentals included in expenses:			
Hire of plant and machinery		823	
Other operating leases		2,335	
		3,158	

Common Services carried out by district or regional health authorities include:

- a. Patient Transport Services
- b. General services managed by regional health authorities
- c. Colleges of Nursing
- d. A unit or estate support service managed directly by a district health authority
- e. A unit or estate support services operating within directly managed units where the aggregate expenditure in excess of £250,000 is recharged to other units within the authority or to outside parties.

Fixed Assets	8	Land	Buildings, installations and fittings	Assets under Construction
		£000	£000	£000
Net book value at 31 March 1994		2,070,233	7,077,344	335,134
Additions		5,527	37,581	105,767
Transfers		(850,959)	(3,920,895)	(298,812)
Indexation		(105,278)	(84,166)	(1,892)
Revaluation		52,660	(259,646)	(9,863)
Depreciation provided during the year:				
– purchased assets		–	(110,502)	–
– donated assets		–	(667)	–
Disposals		(72,970)	(33,507)	(19,638)
Net book value at 31 March 1995		<u>1,099,213</u>	<u>2,705,542</u>	<u>110,696</u>
		31 March		
		1994		
The net book value of land and buildings at 31 March 1995 comprised:		£000	£000	
Freehold		3,766,250	8,999,083	
Long leasehold		34,521	143,755	
Short leasehold		3,984	4,739	
		<u>3,804,755</u>	<u>9,147,577</u>	

Debtors	9		31 March 1994
		£000	£000
		Department of Health, health authorities, family health services authorities and NHS Trusts	142,138 285,338
		Other debtors	86,070 208,880
		Prepayments and accrued income	101,990 107,932
			<u>330,198</u> <u>602,150</u>

Creditors: Amounts falling due within one year	10		31 March 1994
		£000	£000
		Department of Health, health authorities, family health services authorities and NHS Trusts	224,736 290,923
		Income tax and social security	12,274 73,065
		Other creditors	168,253 370,111
		Rentals due under operating leases	33 93
		Payments received on account	3,625 13,659
		Patients' money	4,538 16,369
			<u>413,459</u> <u>764,220</u>

Finance Lease Obligations	11	£000	
		Amounts payable:	
		Within one year	1,135
		Between 1 to 5 years	3,683
		After 5 years	12,419
			<u>17,237</u>
		Less: finance charges allocated to future periods	(3,528)
			<u>13,709</u>

This total net obligation under finance leases can be analysed as follows:

Creditors: amounts falling due within one year	833
amounts falling due after more than one year	12,876
	<u>13,709</u>

Operating Lease Commitments	12		
		Commitments under non-cancellable operating leases are as follows:	
		Land and Buildings £000	Other £000
		Operating leases which expire:	
		Within one year	409 40,371
		Between one and five years	4,011 30,778
		After five years	13,523 909
			<u>17,943</u> <u>72,058</u>

Capital Account	13			31 March 1994
		The movement on the capital account in the year comprised:	£000	£000
		At 31 March 1994	9,777,966	14,595,097
		Additions	172,097	679,878
		Transfers	(5,276,338)	(5,283,667)
		Disposals and writes off	(132,840)	(379,221)
		Indexation	(186,310)	741,722
		Revaluation	(222,146)	(213,288)
		Depreciation	(135,890)	(362,555)
		At 31 March 1995	<u>3,996,539</u>	<u>9,777,966</u>
Donation Reserve	14			31 March 1994
		The movement on the donation reserve in the year comprised:	£000	£000
		At 31 March 1994	231,549	262,342
		Additions	2,021	35,213
		Transfers	(199,469)	(49,312)
		Disposals and writes off	(121)	(21,553)
		Indexation	(588)	17,669
		Revaluation	946	1,116
		Depreciation	(1,786)	(13,926)
		At 31 March 1995	<u>32,552</u>	<u>231,549</u>
Net Cash Inflow from Operating Activities	15			1993-94 £000
		Operating (deficit)/surplus for the financial year	(53,453)	49,008
		Depreciation	1,786	13,926
		Release from donation reserve	(1,786)	(13,926)
		Decrease/(Increase) in net balance with Department of Health, health authorities, family health services authorities and NHS Trusts	77,013	(24,913)
		Decrease in stocks	78,155	71,404
		Decrease in other debtors	128,752	93,373
		Decrease in other creditors	(284,574)	(318,870)
		Net current liabilities transferred from health authorities to NHS Trusts	<u>66,820</u>	<u>138,322</u>
		Net cash inflow from operating activities	<u>12,713</u>	<u>8,324</u>
Analysis of Changes in Cash and Cash Equivalents during the year	16	As at 31 March 1995 £000	As at 31 March 1994 £000	Change during the Year £000
		Cash at bank and in hand	93,891	86,982
		Bank overdraft	<u>(12,039)</u>	<u>(16,326)</u>
			<u>81,852</u>	<u>70,656</u>
				<u>11,196</u>

Contingent liabilities	17		31 March 1994
		Authorities reported contingent liabilities as follows: £000	£000
		Legal cases	4,532 6,466
		Medical negligence	1,527,276 1,312,996
		Other	20,445 12,453
			<u>1,552,253 1,331,915</u>

These contingent liabilities have not been accrued in this account due to uncertainty over the ultimate outcome.

Capital commitments	18		31 March 1994
		Health authorities had the following capital commitments as at 31 March 1995: £000	£000
		Contracted	52,040 336,693
		Authorised but not contracted	67,162 266,831
			<u>119,202 603,524</u>

Losses and special payments **19** There were 29,914 (1993-94 80,932) cases of losses and special payments totalling £125,077,745 (1993-94, £105,228,052) approved during 1994-95. These included 98 cases (1993-94, 30) where payments exceeded £100,000, 87 cases (1993-94, 29) of clinical negligence totalling £46,960,413 (1993-94, £7,893,263), 5 cases of capital schemes abandoned, totalling £1,951,541, 2 cases of fire damage, totalling £1,039,701, 3 extra contractual payments, totalling £1,951,542 and 1 case of payment to the Inland Revenue, £125,000.

Post balance sheet events **20** Fixed assets were revalued as at 1 April 1995 by District Valuers. The opening balances for 1995-96 will be adjusted to reflect the valuation.

The Certificate of the Comptroller and Auditor General to the Houses of Parliament

I have audited the financial statements on pages 3 to 17 which have been prepared under the historical cost convention as modified by the revaluation of fixed assets and the accounting policies set out on pages 7 to 9.

Respective responsibilities of Accounting Officer and Auditors

As described on page 2 the Accounting Officer, on behalf of the Secretary of State, is responsible for the preparation of financial statements. It is my responsibility to form an independent opinion, based on my audit, on those statements and to report my opinion to you.

Basis of opinion

I certify that I have examined the financial statements referred to above in accordance with section 98(4) of the National Health Service Act 1977 and the National Audit Office auditing standards, which include relevant Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of health authorities, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements present fairly the net assets of the Regional and District Health Authorities and Special Health Authorities for the London Postgraduate Teaching Hospitals at 31 March 1995 and their income, expenditure, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with section 98(4) of the National Health Service Act 1977 and with the directions made thereunder by the Treasury.

John Bourn
Comptroller and Auditor General

29 February 1996

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

For Report of the Comptroller and Auditor General see page i

Foreword

- 1 These accounts have been prepared by the Department of Health under Section 98 of the National Health Service Act 1977 in a form directed by the Treasury, for transmission on or before 30 November to the Comptroller and Auditor General for examination and certification. This section also provides for the accounts of the individual authorities to be audited by auditors appointed by the Audit Commission for Local Authorities and the National Health Service in England and Wales and affords access to the Comptroller and Auditor General to the reports of the Commission's appointed auditors on the accounts of the individual authorities and to those accounts and related records.
- 2 Central services have been provided by the following bodies:
 - a. **The National Blood Authority.** On 1 April 1993 the National Blood Authority was formed to replace the Central Blood Laboratories Authority and was constituted as a special health authority under Section 11 of the National Health Service Act 1977. On 1 April 1994 the National Blood Authority took over responsibility for the 13 Regional Transfusion Centres from Regional Health Authorities. The Authority now provides a national blood service from the collection of blood through to the testing and processing of blood products, manufacture of plasma products and the resultant distribution to hospitals and NHS units. The revenue funding of the Authority is mainly from sales income, with all capital and a proportion of revenue expenses being defrayed by the Secretary of State for Health out of monies provided by Parliament and charged to Class XII, Vote 1.
 - b. **The United Kingdom Transplant Support Service Authority.** This body was established as a special health authority under section 11 of the National Health Service Act 1977 on 1 April 1991 to co-ordinate, support and advise on organ transplantation and related matters at national level. The expenditure of the authority is defrayed by the Secretary of State out of monies provided by Parliament and charged to Class XII, Vote 1.
 - c. **The National Health Service Supplies Authority,** The National Health Service Supplies Authority was constituted as a special health authority under section 11 of the National Health Service Act 1977 on 1 October 1991 to assume strategic responsibility for NHS supplies and procurement at national level. The Authority assumed full responsibility for NHS supplies and procurement on 1 April 1992 and from that date the main source of funding is from sales of goods and services to other NHS authorities and Trusts.
- 3 Health authorities have power under section 90 of the National Health Service Act 1977 to accept, hold and administer any property on trust for all or any purposes relating to the health service. Under section 91 of the above Act any sum so paid to the appropriate authority shall, so far as practicable, be applied by them for the purpose specified in the trust instrument.

Alan Langlands
Accounting Officer

28 November 1995

Income and Expenditure Account for the
year ended 31 March 1995

	Notes	£000
Income		
Department of Health funding		714
Operating income		<u>170,249</u>
		<u>170,963</u>
Expenditure		
Staff costs	2	76,190
Other operating costs	3	<u>96,855</u>
		<u>173,045</u>
Deficit for the financial year		<u>(2,082)</u>

Statement of Total Recognised Gains and Losses for the year
ended 31 March 1995

Deficit for the financial year	(2,082)
Unrealised surplus on the revaluation of properties	64,322
Additions to reserves	1,805
Net assets transferred from NHS bodies	<u>84,165</u>
Total recognised gains for the financial year	<u>148,210</u>

The notes at pages 23 to 29 form part of this account.

Balance Sheet as at 31 March 1995

	Notes	£000	31 March 1994 £000
Tangible Fixed Assets	4	133,989	-
Current Assets			
Stocks	5	32,495	24,928
Debtors	6	17,423	16,922
Cash at bank and in hand	11	1,179	376
		<u>51,097</u>	<u>42,226</u>
Current Liabilities			
Creditors: amounts falling due within one year	7	12,122	2,635
Bank overdraft		<u>1,552</u>	<u>86</u>
Total Assets less Current Liabilities		<u>171,412</u>	<u>39,505</u>
Financed by			
Capital account	8	133,829	-
Donation reserve	9	160	-
Balance due to Department		<u>37,423</u>	<u>39,505</u>
		<u>171,412</u>	<u>39,505</u>

The notes at pages 23 to 29 form part of this account.

Alan Langlands
Accounting Officer

28 November 1995

Cash Flow Statement for the year ended
31 March 1995

	Notes	£000
Operating Activities		
Net cash, outflow from operating activities	10	(663)
Investing Activities		
Payments to acquire tangible fixed assets		(9,085)
Receipts from sale of tangible fixed assets		<u>82</u>
Net cash, outflow from investing activities		<u>(9,003)</u>
Net cash outflow before financing		(9,666)
Financing		
Capital funding		<u>9,003</u>
Decrease in cash and cash equivalents	11	<u>(663)</u>

The notes at pages 23 to 29 form part of this account.

Notes to the Account

Accounting policies

1 Accounting Convention

- 1.1 This account has been prepared in accordance with the accounting standards and policies for the NHS approved by the Secretary of State. Where relevant and applicable, these take cognisance of the accounting standards issued or adopted by the Accounting Standards Board. There is however one departure from the accruals concept in that funding from the Department - cash advances within an approved cash limit - is recorded on a receipts basis, as opposed to an accruals basis.

Fixed Assets

- 1.2 Prior to this year, expenditure on fixed assets was not capitalised but treated as expenditure in the year incurred. The treatment of fixed assets in the accounts is in accordance with the principal capital charges objective, to ensure that such charges are fully reflected in the pricing of healthcare services in order to promote fair competition within the NHS and the private sector. The interest charge applied to capital charges in the financial year was 6%. A capital charge adjustment is made to the interest charge at the year end. This is the difference between the actual capital charge and the estimated (and paid) capital charge.

a. Capitalisation

The Authority capitalised its own fixed assets at 31 March 1995. The 13 Regional Blood Transfusion centres were transferred on the 1st April 1994, and the Balance Sheet shows the relevant fixed assets as transferred to the authority at that date. All assets falling into the following categories are capitalised:

- i tangible assets which are capable of being used for more than one year, and have a cost equal to or greater than £5,000;
- ii groups of tangible fixed assets which are interdependent or would normally be provided or replaced as a group with a total value in excess of £5,000 and an individual value of £250 or more;
- iii there is no change to the income and expenditure due to the operation of the capital charges adjustment policy.

b. Valuation Fixed assets are valued as follows:

- i Land, buildings, installations and fittings held for operational use are stated at their depreciated replacement cost. Surplus land and buildings are stated at open market value for their alternative use. Valuations are carried out by the District Valuer of the Inland Revenue at five yearly intervals from 1 April 1995. Between valuations price indices appropriate to the category of asset are applied to arrive at the current value;
- ii equipment held for operational use is valued at depreciated replacement cost. Surplus equipment is valued at the net recoverable amount;

iii assets in the course of construction are valued at current cost, including indexation.

c. Depreciation

Depreciation is charged on each main class of tangible asset as follows:

- i Land and assets in the course of construction are not depreciated;
- ii buildings, installations and fittings are depreciated on their revalued amount over the assessed remaining life of the asset as advised by the District Valuer;
- iii equipment is depreciated over the estimated life of the asset:

	Years
moveable engineering plant and equipment and long life medical equipment	15
furniture and medium life medical equipment	10
mainframe information technology installations	8
vehicles and soft furnishings	7
office, information technology, short life medical and other equipment	5

Stocks and work in progress.

- 1.3 Stocks are valued at the lower of cost and net realisable value. Work in progress and finished products are valued at the cost of direct materials and labour plus attributable overheads.

Debtors and creditors.

- 1.4 Debtors and creditors are assessed on the basis of goods and services supplied or received on or before 31 March 1995 for which payment has not been received or made by this date.

Losses and special payments.

- 1.5 Losses and special payments are generally charged to the relevant functional headings.

Research and development.

- 1.6 Research and development expenditure is written off in the year in which it is incurred.

Leases

- 1.7 Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. Rentals under operating leases are charged on a straight line basis over the terms of the leases.

Pension Contributions

- 1.8 The cost of employer contributions to the NHS Superannuation and other schemes is charged to the income and expenditure account.

Staff costs

2

£000

Authority members' remuneration:	
Non-executive members remuneration	29
Executive members' remuneration:	
Basic salaries	284
Benefits	7
Performance related bonuses	0
Pension contributions	17
Compensation for loss of office	0
Pensions to former directors (early retirees)	0
	<u>337</u>
Executive members' remuneration and staff costs:	
Salaries and wages	67,183
Social security costs	6,124
Other pension costs	2,235
Agency staff	648
	<u>76,190</u>

The authority incurred expenditure of £22,000 relating to staff entertainment.

The average number of employees (excluding agency staff) during the year was 4,974 of which 22 were employed in the headquarters function and 4,952 were employed in support services.

The Chairman's emoluments, including taxable benefits but excluding employer's pension contributions were £10,000.

The Chief Executive's total remuneration, including taxable benefits and the employer's contribution to the NHS Superannuation Scheme (of which the Chief Executive is an ordinary member) was £81,000.

The remuneration of other board members fell within the following ranges:

Range £	Number
Up to 5,000	4
5,001 to 10,000	1
55,001 to 60,000	1
65,001 to 70,000	1
80,001 to 85,000	1
95,001 to 100,000	1

The following number of senior employees received remuneration (excluding pension contributions) falling within the following ranges:

Range £	Number
40,000 to 45,000	27
45,001 to 50,000	17
50,001 to 55,000	11
55,001 to 60,000	4
60,001 to 65,000	5
70,001 to 75,000	3
80,001 to 85,000	1
85,001 to 90,000	2

Other Operating Costs	3		£000
		Authority members' fees	29
		Supplies and services	50,616
		Establishment expenses	11,254
		Transport and moveable plant	2,771
		Premises and fixed plant	13,512
		External contractors	1,088
		Depreciation	5,280
		Capital charges	3,889
		Appointed auditor's remuneration	151
		Miscellaneous	8,265
			<u>96,855</u>

Hire and operating rentals included in expenses:

Hire of plant and machinery	66
Other operating leases	466
	<u>532</u>

Fixed Assets	4	Land	Buildings, installations and fittings	Assets under construction
		£000	£000	£000
Net book value at 31 March 1994		—	—	—
Additions		—	1,439	320
Transfers		5,330	45,395	14
Indexation		(463)	(1,196)	(14)
Incorporation of NBA assets at 31 March 1995		4,250	57,241	—
Depreciation provided during the year:				
— Purchased assets		—	(1,537)	—
— Donated assets		—	(8)	—
Disposals		—	—	—
Net book value at 31 March 1995		<u>9,117</u>	<u>101,334</u>	<u>320</u>

**Fixed Assets
(continued)****4****Equipment
£000**

Gross replacement cost at 31 March 1994	-
Additions	5,737
Transfers	40,991
Indexation	1,356
Incorporation of NBA assets at 31 March 1995	3,915
Disposals	<u>(2,906)</u>
Gross replacement cost at 31 March 1995	49,093
Accumulated depreciation at 31 March 1994	-
Provided during the year:	
Purchased assets	3,623
Donated assets	8
Transfers	23,868
Additions	53
Indexation	741
Incorporation of NBA assets at 31 March 1995	26
Disposals	<u>(2,444)</u>
Accumulated depreciation at 31 March 1995	25,875
Net book value at 31 March 1994	-
Net book value at 31 March 1995	<u>23,218</u>

**Net book
value at
31 March
1995
£000**

Total Fixed Assets

Land	9,117
Buildings, installations and fittings	101,334
Equipment	23,218
Assets under construction	<u>320</u>
	<u>133,989</u>

The Net Book Value of Land and Buildings comprises:

	£000
Freehold	103,204
Long leasehold	7,567
Short leasehold	<u>-</u>
	<u>110,771</u>

Stocks	5		£000
		Raw materials and consumables	14,158
		Work-in-progress	7,459
		Finished goods and goods for resale	<u>10,878</u>
			<u>32,495</u>
Debtors	6		£000
		Department of Health, health authorities, FHSAs and NHS Trusts	13,263
		Other debtors	2,391
		Prepayments and accrued income	<u>1,769</u>
			<u>17,423</u>
Creditors: Amounts falling due within one year	7		£000
		Department of Health, health authorities, FHSAs and NHS Trusts	2,067
		Income tax and social security	608
		Other creditors	9,414
		Payments received on account	<u>33</u>
			<u>12,122</u>
Capital Account	8	The movement on the capital account in the year comprised:	
		At 31 March 1994	
		Additions	7,315
		Transfers	67,816
		Disposals and write off	(462)
		Indexation	(1,060)
		Incorporation of NBA assets at 31 March 1995	65,380
		Depreciation: Capital charges	<u>(5,160)</u>
		At 31 March 1995	<u>133,829</u>
Donation Reserve	9	The movement on the donation reserve in the year comprised:	
		At 31 March 1994	
		Additions	128
		Transfers	46
		Indexation	2
		Depreciation: Other	<u>(16)</u>
		At 31 March 1995	<u>160</u>

Reconciliation of operating deficit to net cash outflow from operating activities	10				£000
		Operating deficit			(2,082)
		Decrease in net balances with the Department, Health Authorities, FHSAs and NHS Trusts			5,412
		Increase in stocks			(7,567)
		Increase in debtors			(5,913)
		Increase in creditors			9,487
		Net Cash Outflow from Operating Activities			<u>(663)</u>
Analysis of Changes in Cash and Cash Equivalents	11				
			At 31 March 1994	At 31 March 1995	Change during the year
			£000	£000	£000
		Cash at bank and in hand	376	1,179	803
		Bank overdraft	<u>(86)</u>	<u>(1,522)</u>	<u>(1,466)</u>
			<u>290</u>	<u>(373)</u>	<u>(663)</u>
Capital commitments	12	The Authority has the following capital commitments:			£000
		Contracted for			4
		Authorised but not contracted			<u>—</u>
					<u>4</u>
Operating lease commitments	13	Commitments under non-cancellable operating leases are as follows:			
			Land and Buildings	Other	
			£000	£000	
		Operating leases which expire:			
		Within one year	92	38	
		Between one and five years	390	167	
		In over five years	<u>687</u>	<u>179</u>	
			<u>1,169</u>	<u>384</u>	
		The Authority had no finance lease obligations in the 1994-95 financial year.			
Funds held on trust	14	At 31 March 1995 the Authority held funds on trust amounting to £1,377. The balance at 31 March 1994 was £1,273.			

Statement of Secretary of State's and Accounting Officer's responsibilities

Section 98 (4) of the National Health Service Act 1977 requires the Secretary of State to prepare a statement of accounts for each financial year in the form and on the basis determined by the Treasury. The accounts are prepared on behalf of the Secretary of State by the Accounting Officer on an accruals basis and must present fairly the state of affairs of the National Blood Authority at the year end, and its income and expenditure and cash flows for the financial year.

In preparing the accounts the Accounting Officer is required to:

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to do so.

The Treasury have appointed the Chief Executive of the National Health Service as the Accounting Officer for the Summarised Account of the National Blood Authority. His relevant responsibilities, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Accounting Officers' memorandum issued by the Treasury and published in "Government Accounting" (HMSO).

The Certificate of the Comptroller and Auditor General to the Houses of Parliament

I have audited the financial statements on pages 20 to 29 which have been prepared under the historical cost convention as modified by the revaluation of fixed assets and the accounting policies set out on pages 23 and 24.

Respective responsibilities of Accounting Officer and Auditors

As described on page 30 the Accounting Officer, on behalf of the Secretary of State, is responsible for the preparation of financial statements. It is my responsibility to form an independent opinion, based on my audit, on those statements and to report my opinion to you.

Basis of opinion

I certify that I have examined the financial statements referred to above in accordance with section 98(4) of the National Health Service Act 1977 and the National Audit Office auditing standards, which include relevant Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the body's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements present fairly the net assets of the National Blood Authority at 31 March 1995 and its income, expenditure, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with section 98(4) of the National Health Service Act 1977 and with the directions made thereunder by the Treasury.

John Bourn
Comptroller and Auditor General

29 February 1996

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Income and Expenditure Account for the year ended 31 March 1995

	Notes	£000	1993-94 £000
Income			
Department of Health finding		4,223	5,377
Operating income	2	<u>946</u>	<u>645</u>
		5,169	6,022
Expenditure			
Staff costs	3	1,416	1,375
Other operating costs	4	3,415	2,697
Capital expenditure		<u>—</u>	<u>2 191</u>
		4,831	6,263
Surplus/(Deficit) for the Financial Year		<u>338</u>	<u>(241)</u>

Statement of Total Recognised Gains and Losses for the year ended 31 March 1995

Surplus for the financial year	338
Unrealised surplus on the revaluation of properties	<u>231</u>
Total recognised gains for the financial year	<u>569</u>

The notes at pages 35 to 39 form part of this account

Balance Sheet as at 31 March 1995

			31 March 1994 £000
	Notes	£000	£000
Tangible Fixed Assets	5	4,687	4,699
Current Assets			
Stocks		5	1
Debtors	6	565	291
Cash at bank and in hand		29	63
		<u>599</u>	<u>355</u>
Current Liabilities			
Creditors: amounts falling due within one year	7	<u>100</u>	<u>110</u>
Total Assets less Current Liabilities		<u>5,186</u>	<u>4,944</u>
Financed by:			
Creditors: amounts falling due after more than one year		-	84
Capital Account	8	4,687	4,699
Balance due to Department		<u>499</u>	<u>161</u>
		<u>5,186</u>	<u>4,944</u>

The notes at pages 35 to 39 form part of this account.

Alan Langlands
Accounting Officer

28 November 1995

Cash Flow Statement for the year ended 31 March 1995

	Notes	£000	1993-94 £000
Operating activities			
Net cash outflow from operating activities	9	(34)	(177)
Investing Activities			
Payments to acquire tangible fixed assets		(372)	(2,191)
Receipts from sale of tangible fixed assets		<u>6</u>	<u>-</u>
Net cash outflow before financing		(400)	(2,368)
Financing			
Departmental funding for capital expenditure		<u>366</u>	<u>2,191</u>
Decrease in cash and cash equivalents	10	<u>(34)</u>	<u>(177)</u>

The notes at pages 35 to 39 form part of this account

Notes to the Account

Accounting policies

1 Accounting Convention

- 1.1 This account has been prepared under the historical cost convention, modified to reflect changes in the value of fixed assets and in accordance with the standard accounting practice for the NHS approved by Secretary of State and the accounts direction issued by the Treasury.

Income allocations

- 1.2 The main source of funding for health authorities is cash advances from the Department of Health within an approved cash limit: these advances are recorded in the account on a receipts basis rather than on an accruals basis.

Fixed Assets

- 1.3 The treatment of fixed assets in the account is in accordance with the principal capital charges objective to ensure that such charges are fully reflected in the pricing of services. The interest rate applied to capital charges in the financial year 1994-95 was 6%. A capital charge adjustment is made to the interest charge at the year end. This is the difference between the actual capital charge and the estimated (and paid) capital charge.

a. Capitalisation

All assets falling into the following categories are capitalised

- i tangible assets which are capable of being used for more than one year and have a cost equal to or greater than £5,000
- ii groups of tangible assets which are interdependent or would normally be provided or replaced as a group with a total value in excess of £5,000 and an individual value of £250 or more.

b. Valuation

Fixed assets are valued as follows:

- i Land, buildings, installations and fittings held for operational use are stated at their depreciated replacement cost. Surplus land and buildings are stated at open market value for their alternative use. Valuations are carried out by the District Valuer of the Inland Revenue at five yearly intervals from 1 April 1995. Between valuations, an appropriate index is applied to the assets,
- ii equipment held for operational use is valued at depreciated replacement cost. Surplus equipment is valued at the net recoverable amount;
- iii assets in the course of construction are valued at current cost, including indexation.

c. Depreciation

Depreciation is charged on each main class of tangible fixed asset as follows:

- i Land and assets in the course of construction are not depreciated;

- ii buildings, installations and fittings are depreciated on their revalued amount over the assessed remaining life of the asset as advised by the District Valuer.

Stocks and Work in Progress

- 1.4 Stocks and work in progress are valued at the lower of cost and net realisable value. Work in progress comprises goods in intermediate stages of production.

Losses and Special Payments

- 1.5 Losses and special payments are charged to the relevant functional headings, including losses which would have been made good through insurance cover if the authority had not been bearing their own risks (with insurance premiums being included as normal revenue expenditure).

Pension Contributions

- 1.6 The cost of employer pensions contributions to the NHS Superannuation and other schemes is charged to the income and expenditure account.

Research and Development

- 1.7 Research and development expenditure is written off as it is incurred.

Operating income	2	1993-94	
		£000	£000
		Release of Provisions	84
		Grants from National Sponsors	666
		Income from Activities	196
			<u>946</u>
			166
			458
			186
			810
Staff costs	3	1993-94	
		£000	£000
		Salaries and Wages	1,267
		Social Security Costs	108
		Pension Costs	41
			<u>1,416</u>
			1,222
			102
			51
			1,375

The average number of employees during the year was 80 (1993-94: 70).

The Chief Executive's remuneration was £50,125 (1993-94: £51,161).

The number of senior employees receiving remuneration as at 31 March within the following ranges were:

	1994-95 Number	1993-94 Number
£30,001-£35,000	1	3
£35,001-£40,000	2	1
£40,001-£45,000	1	-
£45,001-£50,000	-	2
£50,001-£55,000	1	-
£55,001-£60,000	-	-
£60,001-£65,000	1	-

Other operating charges	4	1993-94	
		£000	£000
Staff related expenditure		89	79
Laboratory costs		116	216
Personnel		42	22
Administration		274	178
Computing costs and IT Strategy		563	538
Telephone and postage		33	29
Premises: running and equipping		286	498
Professional services		243	149
Legal, Losses and Pensions		74	38
Grant: UB DOTS		160	170
Relocation		57	20
Other		49	57
		<u>1,986</u>	<u>1,994</u>
Agency activities:			
Donor Reimbursement Scheme		606	587
Tissue Banking Study		93	-
Organ Donor Register		298	-
CTS Eye Bank		417	-
Other		15	116
		<u>3,415</u>	<u>2,697</u>

Fixed Assets	5	Assets under			
		Land	Buildings	Equipment	Construction
Cost at 1 April 1994		703	3,303	807	-
Indexation		(67)	(89)	23	-
Additions in the year		-	103	238	31
Disposals		-	-	(18)	-
Cost at 31 March 1995		<u>636</u>	<u>3,317</u>	<u>1,050</u>	<u>31</u>
Depreciation at 1 April 1994		-	23	91	-
Indexation		-	(1)	3	-
Depreciation charged in the year		-	90	151	-
Disposals		-	-	(10)	-
Depreciation at 31 March 1995		<u>-</u>	<u>112</u>	<u>235</u>	<u>-</u>
Net book value at 31 March 1995		<u>636</u>	<u>3,205</u>	<u>815</u>	<u>31</u>

		Net book value at 31 March £000	Net book value at 31 March £000
	Total Fixed Assets		
	Land	636	703
	Buildings, installations and fittings	3,205	3,280
	Equipment	815	716
	Assets under construction	31	-
		<u>4,687</u>	<u>4,699</u>
Debtors	6		31 March 1994
		£000	£000
	Trade debtors	26	12
	Other debtors	302	253
	Prepayments and accrued income	237	26
		<u>565</u>	<u>291</u>
Creditors: Amounts Falling Due Within One Year	7		31 March 1994
		£000	£000
	Trade creditors	93	72
	Tax and Social Security	-	9
	Other creditors	1	1
	Accruals	6	28
		<u>100</u>	<u>110</u>
Capital Account	8	£000	
	The movement of reserves in the year comprised:		
	At 31 March 1994	4,699	
	Additions	372	
	Disposals and write off	(8)	
	Indexation	(135)	
	Depreciation charge	(241)	
	At 31 March 1995	<u>4,687</u>	
Reconciliation of Operating surplus/ (deficit) to Net Cash Outflow from Operating Activities	9		1993-94
		£000	£000
	Operating surplus/(deficit)	338	(241)
	(Increase in stocks)	(4)	(2)
	(Increase)/decrease in debtors	(274)	76
	(Decrease in creditors)	(94)	(10)
	Net cash outflow from operating activities	<u>(34)</u>	<u>(177)</u>

Analysis of change in Cash and Cash Equivalents during the year	10		
		£000	1993-94 £000
		Balance at 31 March 1994	63240
		Net Cash Outflow	(34)(177)
		Balance at 31 March 1995	2963

Funds held on trust 11 At 31 March 1995 the Authority held funds on trust amounting to £4,242.

The balance at 31 March 1994 was £4,093.

Statement of Secretary of State's and Accounting Officer's responsibilities

Section 98 (4) of the National Health Service Act 1977 requires the Secretary of State to prepare a statement of accounts for each financial year in the form and on the basis determined by the Treasury. The accounts are prepared on behalf of the Secretary of State by the Accounting Officer on an accruals basis and must present fairly the state of affairs of the United Kingdom Transplant Support Services Authority at the year end and its income and expenditure, and cash flows for the financial year.

In preparing the accounts the Accounting Officer is required to:

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to do so.

The Treasury have appointed the Chief Executive of the National Health Service as the Accounting Officer for the Summarised Accounts of the United Kingdom Transplant Support Services Authority. His relevant responsibilities, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Accounting Officers' memorandum issued by the Treasury and published in "Government Accounting" (HMSO).

The Certificate of the Comptroller and Auditor General to the Houses of Parliament

I have audited the financial statements on pages 32 to 39 which have been prepared under the historical cost convention as modified by the revaluation of fixed assets and the accounting policies set out on pages 35 and 36.

Respective responsibilities of Accounting Officer and Auditors

As described on page 40 the Accounting Officer, on behalf of the Secretary of State, is responsible for the preparation of financial statements. It is my responsibility to form an independent opinion based on my audit, on those statements and to report my opinion to you.

Basis of opinion

I certify that I have examined the financial statements referred to above in accordance with section 98(4) of the National Health Service Act 1977 and the National Audit Office auditing standards, which include relevant Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the body's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements present fairly the net assets of the United Kingdom Transplant Support Services Authority at 31 March 1995 and its income, expenditure, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with section 98(4) of the National Health Service Act 1977 and with the directions made thereunder by the Treasury.

John Bourn
Comptroller and Auditor General

29 February 1996

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Income and Expenditure Account for the year ended 31 March 1995

	Notes	£000	1993-94 £000
Income			
Department of Health funding		4,087	11,054
Operating income	2	<u>577,191</u>	<u>559,211</u>
		<u>581,278</u>	<u>570,265</u>

Expenditure

Cost of sales	3	465,185	458,434
Staff costs and administration expenses	3,4	<u>115,842</u>	<u>111,693</u>
		<u>581,027</u>	<u>570,127</u>
Surplus for the financial year		<u>251</u>	<u>138</u>

Statement of Total Recognised Gains and Losses for the year ended 31 March 1995

Surplus for the financial year	251	138
Unrealised (deficit)/surplus on the revaluation of properties	(4,402)	3,436
Net assets transferred from NHS bodies	<u>-</u>	<u>3,266</u>
Total recognised (losses)/gains for the financial year	<u>(4,151)</u>	<u>6,840</u>

The notes at pages 45 to 51 form part of this account

Balance Sheet as at 31 March 1995

		31 March 1994	
		£000	£000
Tangible Fixed Assets	5	47,792	54,307
Current Assets			
Stocks		47,080	39,036
Debtors	6	47,622	62,737
Cash at bank and in hand		2,113	2,621
		96,815	104,394
Current Liabilities			
Creditors: amounts falling due within one year	7	30,827	44,646
Total Assets less Current Liabilities		<u>113,780</u>	<u>114,055</u>
Financed By:			
Creditors: amounts falling due after more than one year	8	13,095	7,106
Capital account	10	47,792	54,307
Balance due to Department		52,893	52,642
		<u>113,780</u>	<u>114,055</u>

The notes at pages 45 to 51 form part of this account

Alan Langlands
Accounting Officer

28 November 1995

Cash Flow Statement for the year ended
31 March 1995

	Notes	£000	1993-94 £0000
Operating Activities			
Net cash (outflow)/inflow from operating activities	11	(389)	2,056
Investing Activities			
Payments to acquire tangible fixed assets		(1,849)	(6,058)
Receipts from sale of tangible fixed assets		109	376
Net cash outflow before financing		(2,129)	(3,626)
Financing			
Capital funding	12	1,621	5,743
Increase in cash and cash equivalents	13	(508)	2,117

The notes at pages 45 to 51 form part of this account

Notes to the Account

Accounting policies

1 Accounting Conventions

1.1 This account has been prepared under the historical cost convention, modified to reflect changes in the value of fixed assets, and in accordance with the published Standard Accounting Practice for the NHS approved by the Secretary of State.

1.2 Income Allocations

The main source of funding for the health authority is from the sale of goods and services to other health authorities and NHS Trusts. In addition, there have been cash advances from the Department of Health within an approved cash limit; these advances are recorded in the accounts on a receipts basis rather than on an accruals basis.

1.3 Fixed Assets

a. Capitalisation

All assets falling into the following categories are capitalised:

- i) tangible assets which are capable of being used for more than one year, and have a cost equal to or greater than £5000;
- ii) groups of tangible assets which are interdependent or would normally be provided or replaced as a group with a total value in excess of £5000 and an individual value of £250 or more.

b. Valuation Fixed assets are valued as follows:

- i) land, buildings, installations and fittings held for operational use are stated at depreciated replacement cost, other than surplus land and buildings which are stated at open market value for their alternative use. Valuations are carried out by the District Valuer of the Inland Revenue at three yearly intervals. Between valuations, an appropriate index is applied to the assets,
- ii) equipment held for operational use is valued at depreciated replacement cost. Surplus equipment is valued at net recoverable amount,
- iii) assets in the course of construction are valued at current cost.

c. Depreciation

Depreciation is charged on each main class of tangible asset as follows:

- i) Land and assets in the course of construction are not depreciated,
- ii) Buildings, installations and fittings are depreciated on their revalued amount over the assessed remaining life of the asset as advised by the District Valuer,
- iii) Equipment is depreciated over the estimated life of the asset using standard lives specified by the Department,
- iv) A capital charge adjustment is made at the year end. The charge contains depreciation and interest elements. The depreciation element is the

difference between the actual calculated depreciation charge and the estimated (and paid) charge.

1.4 Stocks

Stocks are valued at the lower of cost and net realisable value.

1.5 Debtors and creditors

1.5 Debtors and Creditors

Debtors and creditors are assessed on the basis of goods and services supplied or received on or before 31 March 1995 for which payment has not been received or made by this date.

1.6 Losses and special payments

Losses and special payments are generally charged to the relevant functional headings.

1.7 Research and development

Research and development expenditure is written off in the year in which it is incurred.

1.8 Leases

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. Rentals under operating leases are charged on a straight line basis over the terms of the leases.

1.9 Pension Contributions

The cost of employer pension contributions to the NHS Superannuation and other schemes is charged to the income and expenditure account.

1.10 Exceptional Costs

Full provision is made for known liabilities relating to the reorganisation of the Authority. As at 31 March 1994 provision was made for enhanced pension liabilities to age 60. During 1994-95 this was extended to age 80 to better reflect the financial obligations of the Authority. The effect of this was to charge an additional £6m of exceptional charges to miscellaneous expenditure during 1994-95.

Operating income	2		1993-94
		£000	£000
	Sales to NHS customers	506,459	472,738
	Fees	52,936	62,950
	Sales to non-NHS customers	8,758	8,237
	Discounts received	2,437	558
	Other	6,601	14,728
		577,191	559,211

Cost of Sales and Administration	3		1993-94
		£000	£000
Cost of sales		465,185	458,434
Authority Members' remuneration		472	430
Other salaries and wages		66,674	67,766
Depreciation		3,305	3,355
Capital charges		4,040	1,021
Auditors' remuneration		408	362
Miscellaneous		40,943	38,759
		<u>581,027</u>	<u>570,127</u>
Hire and operating rentals included in expenses			
Hire of plant and machinery		2,060	
Other operating leases		3,113	
		<u>5,173</u>	

Staff Costs	4	£000
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Authority members' remuneration:

Non-executive members' remuneration	45
Executive members' remuneration:	
Basic salaries	374
Benefits	13
Performance related bonuses	26
Pension contributions	14
	<u>472</u>

Executive members' remuneration and staff costs

	1993-94
	£000
Salaries and wages	59,161
Social security costs	4,036
Other pension costs	2,174
Agency staff	1,731
	<u>67,102</u>
	<u>68,196</u>

The average number of employees (excluding agency staff) during the year was 4,334 (1993-94: 4,674), of which 118 (1993-94: 121) were employed in the headquarters function and 4,216 (1993-94: 4,553) in support services.

The Chairman's emoluments, including taxable benefits but excluding employer's pension were £21,000 (1993-94: £21,000)

The General Manager's total remuneration, including taxable benefits and the employer's contribution to the NHS Superannuation Scheme (of which the General Manager is an ordinary member) was £103,000 (1993-94: £104,000).

The remuneration of other board members fell within the following ranges:

Range £	Number	1993-94
up to 5,000	5	5
20,001 to 25,000	1	-
60,001 to 65,000	-	1
65,001 to 70,000	1	1
70,001 to 75,000	2	1
75,001 to 80,000	-	1
100,000 to 105,000	1	-
105,001 to 110,000	1	-

The following number of senior employees received remuneration (excluding pension contributions) falling within the following ranges:

Range £	Number	1993-94
40,000 to 45,000	17	23
45,001 to 50,000	26	7
50,001 to 55,000	4	1
55,001 to 60,000	2	-
60,001 to 65,000	1	5
65,001 to 70,000	7	1
71,001 to 75,000	1	-
75,001 to 80,000	1	-
80,001 to 85,000	-	-
85,001 to 90,000	-	-
90,001 to 95,000	-	-
95,001 to 100,000	1	-
100,001 to 105,000	-	-
105,001 to 110,000	1	-

Fixed Assets	5	Land	Buildings, installations and fittings	Assets under construction	
		£000	£000	£000	
		Net book value at 31 March 1994	9,687	33,444	47
		Additions	34	280	–
		Transfers	–	(331)	(47)
		Indexation	(760)	(887)	–
		Revaluation	(9)	(46)	–
		Depreciation provided during the year:			
		capital charges	–	(911)	–
		Disposals	(82)	(476)	–
		Net book value at 31 March 1995	8,870	31,073	–

	Equipment £000
Gross replacement cost at 31 March 1994	22,894
Additions	1,623
Transfers	324
Indexation	795
Revaluation	(6,035)
Disposals	<u>(1,503)</u>
Gross replacement cost at 31 March 1995	18,098
Accumulated depreciation at 31 March 1994	11,765
Provided during the year: capital charges	2,393
Additions	-
Transfers	60
Indexation	397
Revaluation	(2,937)
Disposals	<u>(1,429)</u>
Accumulated depreciation at 31 March 1995	10,249
Net book value at 31 March 1994	11,129
Net book value at 31 March 1995	7,849

During the year computer equipment was revalued. This had the effect of reducing the net book value of the fixed assets and capital reserve by £3.1 million.

	Net book value at 31 March 1995 £000	Net book value at 31 March 1994 £000
Total Fixed Assets		
Land	8,870	9,687
Buildings, installations and fittings	31,073	33,444
Equipment	7,849	11,129
Assets under construction	<u>-</u>	<u>47</u>
	47,792	54,307

Net Book Value of Land and Buildings at 31 March 1995

Freehold	39,034
Long leasehold	857
Short leasehold	<u>52</u>
	39,943

If the net loss on sale of land and buildings had been reported in the Income and Expenditure Account the amount would have been £4,394 (1993-94: £103,974).

Debtors	6		31 March 1994
		£000	£000
		Department of Health, health authorities, FHSAs and NHS Trusts	38,205
		Other debtors	4,646
		Prepayments and accrued income	4,771
			<u>47,622</u>
Creditors: Amounts falling due within one year	7		31 March 1994
		£000	£000
		Department of Health, health authorities, FHSAs and NHS Trusts	2,693
		Income tax and social security	8
		Other creditors	27,791
		Rentals due under operating leases	10
		Payments received on account	325
			<u>30,827</u>
Creditors: Amounts falling due after more than one year	8		31 March 1994
		£000	£000
		Other creditors	13,095
Operating lease commitments	9	Commitments under non-cancellable operating leases are as follows:	
		Land and Buildings	Other
		£000	£000
		Operating leases which expire:	
		Within one year	183
		Between one and five years	1,505
		In over five years	9,967
			<u>11,655</u>
			<u>4,369</u>
		The Authority had no finance lease obligations in the 1994-95 financial year.	
Capital account	10	The movement on the capital account in the year comprised:	
		At 31 March 1994	54,307
		Additions	1,937
		Transfers	(114)
		Disposals and write off	(632)
		Indexation	(1,249)
		Revaluation	(3,153)
		Depreciation: capital charges	(3,304)
		At 31 March 1995	47,792

Reconciliation of operating surplus to net cash (outflow)/inflow from operating activities	11			1993-94
			£000	£000
		Operating surplus for the financial year	251	138
		Increase/(decrease) in NHS balances	8,311	(5,376)
		(Increase)/decrease in stocks	(8,044)	8,629
		(Increase) in other debtors	(1,073)	(205)
		Increase/(decrease) in other creditors	166	(1,130)
		Net cash (outflow)/inflow from operating activities	(389)	2,056
<hr/>				
Analysis of Cash and Cash Equivalents	12			Change
		At 31 March	At 31 March	during
		1995	1994	the year
		£000	£000	£000
		Cash at bank and in hand	2,113	2,621
				(508)
<hr/>				
Contingent Liabilities	14	The Authority has accrued £188,000 of miscellaneous contingent liabilities within this account. Included within this figure is a provision of £92,400 which relates to disputed claims for industrial injury. These claims have a total assessed value of £280,000.		
<hr/>				
Capital commitments	15	The Authority has the following capital commitments:	£000	
		Contracted for	74	
		Authorised but not contracted	-	
			74	

Statement of Secretary of State's and Accounting Officer's responsibilities

Section 98 (4) of the National Health Service Act 1977 requires the Secretary of State to prepare a statement of accounts for each financial year in the form and on the basis determined by the Treasury. The accounts are prepared on behalf of the Secretary of State by the Accounting Officer on an accruals basis and must present fairly the state of affairs of the National Health Service Supplies Authority at the year end and its income and expenditure, and cash flows for the financial year.

In preparing the accounts the Accounting Officer is required to:

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to do so.

The Treasury have appointed the Chief Executive of the National Health Service as the Accounting Officer for the Summarised Account of the National Health Service Supplies Authority. His relevant responsibilities, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Accounting Officers' memorandum issued by the Treasury and published in "Government Accounting" (HMSO).

The Certificate of the Comptroller and Auditor General to the Houses of Parliament

I have audited the financial statements on pages 42 to 51 which have been prepared under the historical cost convention as modified by the revaluation of fixed assets and the accounting policies set out on pages 45 and 46.

Respective responsibilities of Accounting Officer and Auditors

As described on page 52 the Accounting Officer, on behalf of the Secretary of State, is responsible for the preparation of financial statements. It is my responsibility to form an independent opinion, based on my audit, on those statements and to report my opinion to you.

Basis of opinion

I certify that I have examined the financial statements referred to above in accordance with section 98(4) of the National Health Service Act 1977 and the National Audit Office auditing standards, which include relevant Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the body's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements present fairly the net assets of the National Health Service Supplies Authority at 31 March 1995 and its income, expenditure, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with section 98(4) of the National Health Service Act 1977 and with the directions made thereunder by the Treasury.

John Bourn
Comptroller and Auditor General

29 February 1996

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Foreword

- 1 Health authorities have power under section 90 of the National Health Service Act 1977 to accept, hold and administer any property on trust for all or any purposes relating to the health service. Section 11 of the National Health Service and Community Care Act 1990 extends this power to NHS Trusts. Under section 91 of the NHS Act 1977 any sum so paid to the appropriate hospital authority shall, so far as practicable, be applied by them for the purpose specified in the trust instrument.
- 2 This account has been prepared by the Department of Health under section 98 of the National Health Service Act 1977 in a form directed by the Treasury, for transmission on or before 30 November to the Comptroller and Auditor General for examination and certification. This section provides for the accounts of individual health authorities, NHS Trusts and special trustees to be audited by auditors appointed by the Audit Commission for Local Authorities and the National Health Service in England and Wales, and affords the Comptroller and Auditor General access to the reports of the Commission's appointed auditors on the accounts of individual health authorities and special trustees and to those accounts and related records.
- 3 The audit of the annual accounts of all health authorities, NHS Trusts and special trustees has been completed and this summarised account is therefore based on audited figures.

Alan Langlands
Accounting Officer

28 November 1995

Statement of Secretary of State's and Accounting Officer's responsibilities

Section 98 (4) of the National Health Service Act 1977 requires the Secretary of State to prepare a statement of accounts for each financial year in the form and on the basis determined by the Treasury. The accounts are prepared on behalf of the Secretary of State by the Accounting Officer on an accruals basis and must present fairly the state of affairs of the funds held on trust by health authorities, NHS Trusts and special trustees at the year end and their income and expenditure and cash flows for the financial year.

In preparing the accounts the Accounting Officer is required to:

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to do so.

The Treasury have appointed the Chief Executive of the National Health Service as the Accounting Officer for the Summarised Account of funds held on trust. His relevant responsibilities, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Accounting Officers' memorandum issued by the Treasury and published in "Government Accounting" (HMSO).

Income and Expenditure Account for the year ended 31 March 1995

	1993-94	
	£000	£000
Income		
Subscriptions and donations	111,522	114,094
Legacies	37,862	29,224
Dividends and interest	47,375	43,908
Net income from freehold and leasehold properties	21,202	20,537
Income from fund-raising	8,030	9,532
Other income	29,711	27,737
	<u>255,702</u>	<u>245,032</u>
Expenditure		
Administration expenses	6,811	6,526
Patients' welfare and amenities	47,258	47,848
Staff welfare and amenities	23,349	22,942
Research	59,199	59,166
Contributions to hospital capital expenditure	35,282	44,538
Fund-raising expenses	3,273	3,679
Other expenditure	42,225	42,182
	<u>217,397</u>	<u>226,881</u>
Net income transferred to Capital Reserves—other funds	<u>38,305</u>	<u>18,151</u>

There were no other recognised gains and losses for the year.

The notes at page 59 form part of this account

Balance Sheet as at 31 March 1995

	Note	£000	31 March 1994 £000
Fixed Assets			
Property	2	<u>143,574</u>	<u>132,804</u>
Investments at Book Value			
a. Narrower range (market value £427,539,000)		341,047	315,451
b. Wider range (market value £737,138,000)		405,530	364,969
c. Special range (market value £50,683,000)		<u>40,044</u>	<u>31,689</u>
Total investments		<u>786,621</u>	<u>712,109</u>
Total fixed assets		<u>930,195</u>	<u>844,913</u>
Current Assets			
Stocks		257	294
Debtors		45,300	33,493
Cash at bank and in hand		<u>59,876</u>	<u>47,133</u>
		<u>105,433</u>	<u>80,920</u>
Current Liabilities			
Creditors		75,575	63,024
Bank overdraft		<u>1,824</u>	<u>1,274</u>
		<u>77,399</u>	<u>64,298</u>
Net current assets		<u>28,034</u>	<u>16,622</u>
Total assets less current liabilities		<u>958,229</u>	<u>861,535</u>
Capital Reserves			
Funds in Perpetuity		25,277	23,104
Other funds		<u>932,952</u>	<u>838,431</u>
		<u>958,229</u>	<u>861,535</u>

The notes at page 59 form part of this account

Alan Langlands
Accounting Officer

28 November 1995

Cash Flow Statement for the year ended
31 March 1995

	Note	£000	31March 1994 £000
Operating Activities			
Net cash outflow from operating activities	3	(29,491)	(27,958)
Returns on Investments			
Dividends and interest received		46,555	43,865
Net receipts from freehold or leasehold properties		21,559	19,811
		68,114	63,676
Investing Activities			
Purchase of investments		(220,231)	(300,492)
Sale of investments		174,111	268,555
Purchase of property		(1,789)	(2,898)
Sale of property		29,549	11,892
Net Cash Outflow from Investing Activities		(18,360)	(22,943)
Net Cash Inflow Before Financing		20,263	12,775
Financing			
Donations and legacies		122	172
Transfer of cash from NHS and Local Authorities		26,313	16,877
Transfer of cash to NHS and Local Authorities		(26,506)	(16,083)
Net Cash (Outflow)/Inflow from Financing		(71)	966
Increase in Cash and Cash Equivalents	4	20,192	13,741

The notes at page 59 form part of this account

Notes to the Account

Accounting Policies 1 a. This summarised account of funds held on trust is prepared in accordance with accounting policies approved by the Secretary of State and accounts directions issued by the Treasury. The account incorporates an income and expenditure account, balance sheet and cash flow statement. The income and expenditure account does not include gifts, donations and legacies of capital to be held in perpetuity. These receipts are, however, reflected in the funds' balances shown in the balance sheet.

b. Properties are included in the balance sheet at historic cost or at valuation by professional valuers.

Valuation of Property 2	31 March 1994	
	£000	£000
The bases of valuation used were:		
Valuation at cost	82,312	82,262
Professional valuation	61,262	50,542
	<u>143,574</u>	<u>132,804</u>

Reconciliation of net income to net cash outflow from operating activities 3	1993-94	
	£000	£000
Net Income	38,305	18,151
Less dividends and interest	(47,375)	(43,865)
Less net income from freehold and leasehold properties	(21,202)	(19,811)
(Increase)/decrease in debtors	(11,807)	22,719
Increase/(decrease) in creditors	12,551	(5,199)
Decrease in stocks	37	47
Net Cash Outflow from Operating Activities	<u>(29,491)</u>	<u>(27,958)</u>

Analysis of Changes in Cash and Cash Equivalents 4	31 March 1995	31 March 1994	Change during the year
	£000	£000	£000
Cash at bank and in hand	59,876	47,133	12,743
Bank overdraft	(1,824)	(1,274)	(550)
Short-term investments	82,903	74,904	7,999
	<u>140,955</u>	<u>120,763</u>	<u>20,192</u>

The Certificate of the Comptroller and Auditor General to the Houses of Parliament

I have audited the financial statements on pages 56 to 59 which have been prepared under the historical cost convention and the accounting policies set out on page 59.

Respective responsibilities of Accounting Officer and Auditors

As described on page 55 the Accounting Officer, on behalf of the Secretary of State, is responsible for the preparation of financial statements. It is my responsibility to form an independent opinion, based on my audit, on those statements and to report my opinion to you.

Basis of opinion

I certify that I have examined the financial statements referred to above in accordance with section 98(4) of the National Health Service Act 1977 and the National Audit Office auditing standards, which include relevant Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the funds held on trust by health authorities, etc., consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements present fairly the net assets of the funds held on trust by Regional and District Health Authorities, NHS Trusts, Special Health Authorities for the London Postgraduate Teaching Hospitals and Special Trustees at 31 March 1995 and their income, expenditure, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with section 98(4) of the National Health Service Act 1977 and with the directions made thereunder by the Treasury.

John Bourn
Comptroller and Auditor General

29 February 1996

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Foreword

- 1 Following the implementation of the National Health Service and Community Care Act 1990 certain hospitals and other services, which had been administered by health authorities, have been transferred to the management of NHS Trusts.
- 2 The financial results of the activities of the 419 NHS Trusts in existence in 1994-95 (1993-94, 292 NHS Trusts) are disclosed in their individual accounts which have been prepared under section 98(2) of the National Health Service Act 1977 in the form which the Secretary of State for Health has, with the approval of HM Treasury, directed.
- 3 This summarised account of the NHS Trusts has been prepared, from the individual accounts, under section 98(4) of the National Health Service Act 1977 in the form which HM Treasury directed, and represents an aggregation of the accounts of the individual NHS Trusts.

Alan Langlands
Accounting Officer

28 November 1995

Statement of Secretary of State's and Accounting Officer's responsibilities

Section 98 (4) of the National Health Service Act 1977 requires the Secretary of State to prepare a statement of accounts for each financial year in the form and on the basis determined by the Treasury. The accounts are prepared on behalf of the Secretary of State by the Accounting Officer on an accruals basis and must give a true and fair view of the state of affairs of NHS Trusts at the year end and their income and expenditure and cash flows for the financial year.

In preparing the accounts the Accounting Officer is required to:

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to do so.

The Treasury have appointed the Chief Executive of the National Health Service as the Accounting Officer for the Summarised Account of NHS Trusts. His relevant responsibilities, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Accounting Officers' memorandum issued by the Treasury and published in "Government Accounting" (HMSO).

Income and Expenditure Account for the year ended 31 March 1995

	Notes	£000	1993-94 £000
Continuing Operations			
Income from activities	2	18,281,946	12,326,317
Other operating income	3	2,565,082	1,538,013
Operating expenses	4,5	<u>(19,788,437)</u>	<u>(13,023,467)</u>
Operating Surplus		1,058,591	840,863
Loss on disposal of fixed assets	6	<u>(31,047)</u>	<u>(13,956)</u>
Surplus before interest		1,027,544	826,907
Interest receivable	7	54,553	40,306
Interest payable	8	(739,311)	(532,411)
Surplus on Ordinary Activities		<u>342,786</u>	<u>334,802</u>
Surplus for the Year		342,786	334,802
Public Dividend Capital Dividends payable		<u>(164,108)</u>	<u>(149,194)</u>
Retained Surplus for the Year		<u>178,678</u>	<u>185,608</u>
Financial Target Performance	9	6.6%	7.6%

The notes at pages 67 to 79 form part of this account.

Statement of Total Recognised Gains and Losses for the year ended 31 March 1995

	1993-94	1994-95
	£000	£000
Surplus for the financial year	342,786	196,397
Unrealised (deficit)/surplus on fixed asset revaluations/indexation	(649,082)	900,647
Increase in the donation reserve due to receipt of donated assets	92,580	59,376
Reduction in the donation reserve due to depreciation and disposal of donated assets	(38,468)	(30,008)
Additions to other reserves	5,628	8,791
Total recognised (losses)/gains for the financial year	(246,556)	1,135,203

The notes at pages 67 to 79 form part of this account.

Balance Sheet as at 31 March 1995

			31 March 1994 £000
	Note	£000	£000
Fixed Assets			
Tangible fixed assets	10	17,741,579	12,697,416
Current Assets			
Stocks		260,909	164,235
Debtors	11	1,000,825	615,912
Short-term investments	12	59,095	70,618
Cash at bank and in hand		64,653	59,987
		<u>1,385,482</u>	<u>910,752</u>
Current Liabilities			
Creditors: Amounts falling due within one year	13	1,931,405	1,093,000
Bank overdraft		40,668	30,599
		<u>1,972,073</u>	<u>1,123,599</u>
Net Current Liabilities		<u>(586,591)</u>	<u>(212,847)</u>
Total Assets Less Current Liabilities		<u>17,154,988</u>	<u>12,484,569</u>
Debtors:			
Amounts falling due after more than one year	11	15,205	–
Creditors:			
Amounts falling due after more than one year	13	(8,297,558)	(5,908,433)
Provisions for Liabilities and Charges	15	(81,335)	–
Total Assets Employed		<u>8,791,300</u>	<u>6,576,136</u>
Financed By:			
Capital and Reserves			
Public dividend capital	16	8,008,997	5,566,001
Revaluation reserve	18	(123,913)	492,636
Donation reserve	18	533,923	319,226
Other reserves	18	20,642	8,884
Income and expenditure account	18	351,651	189,389
		<u>8,791,300</u>	<u>6,576,136</u>

The notes at pages 67 to 79 form part of this account.

Alan Langlands
Accounting Officer

28 November 1995

Cash Flow Statement for the year ended 31 March 1995

				1993-94
Operating Activities	Note	£000	£000	£000
Net cash inflow from operating activities	19		1,685,016	1,260,808
Returns on Investments and Servicing of Finance				
Interest received		49,909		39,086
Interest paid		(726,108)		(523,407)
Interest element of finance lease rental payments		(2,196)		(1,401)
PDC Dividend paid		(164,138)		(150,136)
Net cash outflow from returns on investments and servicing of finance			(842,533)	(635,858)
Investing Activities				
Payments to acquire fixed assets		(1,480,914)		(965,190)
Receipts from sale of fixed assets		50,495		36,521
Payments to acquire investments		(284,250)		-
Receipts from sale of investments		281,891		-
Net cash outflow from investing activities			(1,432,778)	(928,669)
Net cash outflow before financing			(590,295)	(303,719)
Financing				
New long-term loans		862,301		446,145
New short-term loans		396,147		97,700
New Public Dividend Capital issued		63,751		43,185
Repayments of amounts borrowed		(744,789)		(254,793)
Grants Received		494		-
Capital element of finance lease rental payments		(2,318)		(938)
Net cash inflow from financing			575,586	331,299
(Decrease)/Increase in cash and cash equivalents	20		(14,709)	27,580

The notes at pages 67 to 79 form part of this account.

Notes to the Account

Accounting Policies 1

a Accounting convention

This account has been prepared under the historical cost convention, modified by the application of current cost principles to tangible fixed assets, and in accordance with directions issued by the Treasury, to show a true and fair view and to comply with accounting standards issued or adopted by the Accounting Standards Board insofar as these are appropriate to NHS Trusts. The comparative figures are for the year ended 31 March 1994 and exclude the 143 Fourth wave NHS Trusts which were not required to disclose opening balances or prior year comparative figures for the year ended 31 March 1994.

The cashflow statement shows movements in the period 1 April 1994 to 31 March 1995, i.e. actual movements due to the operation of the 419 NHS Trusts, but not movements that resulted solely from the transfer of assets from health authorities to the Fourth wave NHS Trusts.

b Fixed assets

i Capitalisation

Tangible assets which are capable of being used for a period which exceeds one year, and have a cost equal to or greater than £5,000, are capitalised.

Groups of tangible assets which are interdependent or would normally be provided or replaced as a group with a total value in excess of £5,000 and an individual value of £250 or more are capitalised.

ii Valuation

Land, buildings, installations and fittings held for operational use are stated at their depreciated replacement cost. Land and buildings which are surplus to requirements are valued at open market value for their alternative use. Valuations are carried out by the District Valuer of the Inland Revenue at three yearly intervals: the last such valuations were on 1 April 1992 or on 1 April in the first year of the Trust. From 1 April 1995 such valuations will be at five-yearly intervals;

- between valuations price indices appropriate to the category of asset are applied to arrive at a current value;
- equipment held for operational use is valued at depreciated replacement costs. Surplus equipment is valued at net recoverable cost;
- assets in the course of construction are valued at current cost. This is derived from expenditure incurred to which an appropriate index is applied.

iii Depreciation

Depreciation is charged on each main class of tangible fixed asset as follows:

- freehold land and assets in the course of construction are not depreciated. Buildings, installations, and fittings are depreciated on their current value over the estimated remaining life of the asset as advised by the District

Valuer. Depending on the type of installation or fitting it is expected that the maximum useful lives will be in the range of 15-80 years;

- leaseholds are depreciated over the life of the lease remaining;
- equipment is depreciated on current cost over the estimated life of the asset using the following standard lives:

	Years
moveable engineering plant and equipment and long life medical equipment	15
furniture and medium life medical equipment	10
mainframe information technology installations	8
vehicles and soft furnishings	7
office, information technology, short life medical and other equipment	5

iv Donated assets

Donated tangible fixed assets are capitalised at their valuation on receipt and are valued and depreciated as described above for purchased assets.

The value of donated tangible fixed assets and the donated element of part donated assets is reflected in a donation reserve which is credited with the value of the original donation and any subsequent revaluation; an amount equal to the depreciation charge is released from this reserve each year to the income and expenditure account.

v Leasing

Assets held under finance leases are capitalised at the fair value of the asset with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is subject to indexation and revaluation and is depreciated on its current fair value over the shorter of the lease term and its useful economic life. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of interest on the outstanding balance. Rentals under operating leases are charged on a straight line basis.

c Stocks

Stocks comprise raw materials and consumables and are valued at the lower of cost and net realisable value.

d Research and development

Research and development expenditure is charged against income in the year in which it is incurred, except insofar as it relates to a clearly defined project and the benefits therefrom can reasonably be regarded as assured.

Expenditure so deferred is limited to the value of future benefits and is amortised through the income and expenditure account on a systematic basis over the period expected to benefit from the project. No such expenditure is currently being amortised.

e Clinical negligence costs

NHS Trusts treat clinical negligence costs as operating expenses to an annual limit set by the NHS Executive. Costs above this limit are initially accounted for as deferred expenditure, and are financed by long-term government loans. This deferred expenditure is amortised over the period of the loan advanced to finance the respective clinical negligence claim. The amounts amortised together with the interest paid and payable on the loan are charged to the income and expenditure account.

f Auditors' remuneration

The audit fees disclosed in note 4 are for auditing the accounts of individual NHS Trusts.

Income from Activities	2	1993-94	
		£000	£000
Health authorities		16,404,269	11,423,456
General practice fundholders		1,422,359	667,258
Department of Health		155,485	70,130
Non-NHS — private patients		189,530	109,918
— other		110,303	55,555
		<u>18,281,946</u>	<u>12,326,317</u>
Other Operating Income	3	1993-94	
		£000	£000
Education, training and research		1,091,294	680,782
Patient transport services		4,498	5,611
Charitable and other contributions to expenditure		23,102	17,404
Transfers from the donation reserve in respect of depreciation on donated assets		37,094	16,966
Other income from activities		1,409,094	817,250
		<u>2,565,082</u>	<u>1,538,013</u>

Operating Expenses	4	4.1 <i>Operating Expenses include:</i>	Note	1993-94	
				£000	£000
		Salaries and wages (excluding non-executive board members' fees)	5	13,044,770	8,662,130
		Non-executive board members' remuneration	4.4	16,390	12,558
		Supplies and services — clinical		2,105,528	1,351,727
		— general		456,364	310,608
		Contracts with other NHS bodies		649,675	447,477
		Establishment		568,594	365,053
		Transport		106,800	73,845
		Premises		1,382,654	885,724
		Provision for irrecoverable debts		11,210	9,585
		Depreciation		731,402	493,430
		Auditors' remuneration:			
		Audit fees		18,747	12,667
		Other auditors' remuneration		9,266	6,370
		Other		687,037	392,293
				<u>19,788,437</u>	<u>13,023,467</u>
		4.2 <i>Hire and operating lease rentals include:</i>			
				£000	£000
		Hire of plant and machinery		16,757	110,328
		Other operating leases		123,512	50,653
				<u>140,269</u>	<u>160,981</u>
		4.3 <i>Operating lease commitments</i>			
				£000	£000
		Land and buildings			
		Expiring within 1 year		17,151	1,838
		Expiring between 1 and 5 years		43,145	20,767
		Expiring after 5 years		62,390	17,312
				<u>122,686</u>	<u>39,917</u>
		Other Leases			
		Expiring within 1 year		14,620	7,218
		Expiring between 1 and 5 years		70,959	26,284
		Expiring after 5 years		3,514	2,791
				<u>89,093</u>	<u>36,293</u>

		1993-94
4.4 <i>Board Members' remuneration</i>	£000	£000
Non-executive directors' remuneration	16,390	12,558
Executive directors' remuneration:		
— Basic Salaries	100,573	68,511
— Benefits	4,219	—
— Performance related bonuses	3,526	—
— Pension contributions	4,374	—
— Compensation for loss of office	2,130	985
— Pensions to former directors (early retirees)	619	59
	<u>131,831</u>	<u>82,113</u>

In 1993-94 executive members' remuneration was not analysed between basic salaries and other benefits.

Staff Costs and Numbers

		1993-94
5		
5.1 <i>Staff costs</i>	£000	£000
Salaries and wages	11,562,042	7,731,130
Social security costs	851,476	569,516
Other pension costs	348,085	226,186
Agency staff	283,167	147,856
	<u>13,044,770</u>	<u>8,674,688</u>
5.2 <i>Average number of staff</i>	Number	
Medical and dental	48,534	
Nursing and midwifery	334,773	
Professions allied to medicine	41,527	
Ancillaries	72,633	
Administrative and clerical	116,298	
Ambulance staff	15,187	
Works	12,162	
Other professional and technical	45,797	
All other	12,997	
	<u>699,908</u>	

The total number of staff in 1993-94 was 483,954.

5.3 The amount spent on staff benefits during the year totalled £2,932,000.

5.4 *Pensions*

NHS Trusts participate in the NHS pension scheme. This is a statutory, defined contribution scheme, the provisions of which are laid down in the NHS Pension Scheme Regulations 1995 (SI 1995 No. 300). NHS Trusts pay contributions at rates specified from time to time by the Secretary of State, as advised by the Government Actuary and with the consent of Treasury. For 1994-95, the contribution rate was 4% (1993-94, 4%) and contributions totalled £348,085,000 (1993-94 £226,186,000). Contributions totalling £38,910,000 (1993-94 £22,271,000) were payable and are included within creditors.

Loss on Disposal of fixed assets	6		1993-94	
			£000	£000
		Loss on disposal of land and buildings	18,452	7,918
		Loss on disposal of plant and equipment	12,595	6,038
			31,047	13,956
Interest Receivable	7	Bank deposit interest	54,553	40,306
Interest Payable	8	Interest payable is in respect of the following:	1993-94	
			£000	£000
		Originating interest bearing debt	667,090	499,065
		Further government borrowing	69,848	31,823
		Other interest	2,373	1,523
			739,311	532,411
Financial Target Performance	9			
		NHS Trusts are required to meet a financial target of a 6% return on average relevant net assets before dividends and interest. The rate of return for the year is 6.6% (1993-94 7.6%) calculated as the percentage that the relevant surplus of £1,056 million (1993-94 £827 million) bears to the average relevant net assets of £15,991 million (1993-94 £10,946 million).		
Tangible Fixed Assets	10		Buildings, installations & fittings	Assets under construction
			£000	£000
		Net book value as at 31 March 1994	1,995,909	676,700
		Net book value of fourth wave Trusts at 1 April 1994	885,394	146,938
		Additions	11,651	853,078
		Transfers	4,744	(638,136)
		Indexation	(232,527)	(18,552)
		Depreciation provided during the year	—	—
		Revaluation	10,463	(5,299)
		Disposals	(29,285)	(3,251)
		Net book value as at 31 March 1995	2,646,349	1,011,478

10.1	Equipment
	£000
Gross replacement cost at 31 March 1994	2,626,441
Value of fourth wave Trusts at 1 April 1994	911,948
Additions	362,063
Transfers	69,005
Indexation	129,150
Revaluation	(26,796)
Disposals	<u>(150,176)</u>
Gross replacement cost at 31 March 1995	<u>3,921,635</u>
Accumulated depreciation at 31 March 1994	1,612,099
Value of fourth wave Trusts at 1 April 1994	510,175
Provided during the year	315,375
Transfers and additions	2,451
Indexation	76,438
Revaluation	(27,552)
Disposals	<u>(131,292)</u>
Depreciation at 31 March 1995	<u>2,357,694</u>
Net book value at 31 March 1994	1,014,342
Net book value at 31 March 1995	1,563,941

10.2 *Total tangible fixed assets:*

	Purchased	Donated	Total	31 March
	£000	£000	£000	1994
Net book value:				£000
Land	2,636,282	10,067	2,646,349	1,995,909
Buildings, installations and fittings	12,203,979	315,832	12,519,811	9,010,465
Equipment	1,413,576	150,365	1,563,941	1,014,342
Assets under construction	<u>950,587</u>	<u>60,891</u>	<u>1,011,478</u>	<u>676,700</u>
	<u>17,204,424</u>	<u>537,155</u>	<u>17,741,579</u>	<u>12,697,416</u>

10.3 The net book value of land and buildings comprises:

		31 March
	£000	1994
	£000	£000
Freehold	14,835,890	10,855,532
Long leasehold	322,559	145,845
Short leasehold	<u>7,711</u>	<u>3,600</u>
	<u>15,166,160</u>	<u>11,004,977</u>

10.4 The net book value of assets held under finance leases and hire purchase contracts comprises:

		31 March 1994
	£000	£000
Land	5,217	557
Buildings, installations and fittings	31,797	10,924
Equipment	2,996	2,264
Assets under construction	737	—
	<u>40,747</u>	<u>13,745</u>

Depreciation charged in respect of assets held under finance leases and hire purchase contracts was £6,206,000 (1993-94 £943,000).

Debtors	11		31 March 1994
		£000	£000
National Health Service debtors		447,324	299,380
Other debtors		394,077	238,510
Prepayments and accrued income		150,572	78,022
Deferred expenditure		8,852	—
		<u>1,000,825</u>	<u>615,912</u>
Amounts due after more than one year:			
Prepayments and accrued income		4,432	
Deferred expenditure		482	
Other		<u>10,291</u>	
		<u>15,205</u>	

Debtors are net of provisions for irrecoverable debts.

Short-Term Investments	12		31 March 1994
		£000	£000
Local authorities		—	65,805
Government securities		1,606	87
Other		57,489	4,726
		<u>59,095</u>	<u>70,618</u>

Creditors	13		31 March 1994 £000	£000
13.1 Creditors: amounts falling due within one year				
National Health Service creditors		298,237	238,856	
Accruals and deferred income		248,603	175,651	
Payments received on account		31,597	22,394	
PDC dividend payable		32	62	
Interest payable		30,059	19,052	
Instalments due on loans (notes 14 & 17)		443,494	70,197	
Patients' money		47,845	34,352	
Payroll and related creditors		187,611	131,077	
Obligations under finance leases and hire purchase contracts		2,476	—	
Non-NHS trade creditors—revenue		409,268	326,636	
—capital		123,263	—	
Other creditors		108,920	74,723	
		<u>1,931,405</u>	<u>1,093,000</u>	
Amount due after more than one year:				
Long term loans (note 17)		8,257,645	5,888,663	
Obligations under finance leases and hire purchase contracts		29,614	—	
Other		10,299	19,770	
		<u>8,297,558</u>	<u>5,908,433</u>	
13.2 Finance lease obligation				
Within one year		4,613	2,206	
Between one and five years		13,529	7,137	
After five years		44,656	29,819	
Finance charges allocated to future periods		(30,708)	(25,677)	
		<u>32,090</u>	<u>13,485</u>	
Capitalised value of leases taken out in year		7,327		
Payment made at inception of lease		(58)		
		<u>7,269</u>		
Short-Term Loans	14		31 March 1994 £000	£000
H.M. Government		83,557	63,678	
Commercial banks		380	5,934	
NHS Organisations		235	585	
		<u>84,172</u>	<u>70,197</u>	

Provision for liabilities and charges	15		Pensions	Other	Total
			£000	£000	£000
		At 1 April 1994	669	23,863	24,532
		Arising during the year	26,521	40,105	66,626
		Utilised during the year	(1,522)	(8,301)	(9,823)
		At 31 March 1995	<u>25,668</u>	<u>55,667</u>	<u>81,335</u>
Public Dividend Capital	16				31 March 1994
				£000	£000
		Public dividend capital was issued as follows:			
		During previous years		5,566,001	3,173,298
		At the opening of the year		2,379,245	2,349,518
		During the year		<u>63,751</u>	<u>43,185</u>
				<u>8,008,997</u>	<u>5,566,001</u>
Long-Term Loans	17		Government		Total
			loans	Other	
			£000	£000	£000
		Nil to one year	359,072	250	359,322
		One to five years	1,477,179	328	1,477,507
		Five to fifteen years	3,384,418	—	3,384,418
		Fifteen to twenty-five years	3,329,647	—	3,329,647
		Over twenty-five years	<u>66,073</u>	<u>—</u>	<u>66,073</u>
		As at 31 March 1995	<u>8,616,389</u>	<u>578</u>	<u>8,616,967</u>
		As at 31 March 1994	<u>5,888,509</u>	<u>154</u>	<u>5,888,663</u>
Movement on Reserves	18	18.1 Revaluation Reserve			
			£000		
		As at 31 March 1994	492,636		
		Revaluation of fixed assets	(645,164)		
		Other	<u>28,615</u>		
		As at 31 March 1995	<u>(123,913)</u>		
		18.2 Donation Reserve	£000		
		As at 31 March 1994	319,226		
		Value of fourth wave			
		Trusts at 1 April 1994	162,590		
		Revaluation of fixed assets	(3,918)		
		Receipt of donated assets	92,580		
		Depreciation of donated assets	(37,094)		
		Other	<u>539</u>		
		As at 31 March 1995	<u>533,923</u>		

18.3 Other Reserves

	£000
As at 31 March 1994	8,884
Value of fourth wave	
Trusts at 1 April 1994	6,130
Other	5,628
As at 31 March 1995	<u>20,642</u>

18.4 Income and Expenditure Reserve

	£000
As at 31 March 1994	189,389
Value of merged fourth wave	
trusts at 31 March 1994	(16,484)
Transfer from income and	
expenditure account	178,678
Transfer of realised losses	(1,105)
Other	1,173
As at 31 March 1995	<u>351,651</u>

Reconciliation of operating surplus to net cash inflow from operating activities**19**

	£000	1993-94 £000
Operating Surplus	1,058,591	840,863
Depreciation	731,402	493,430
Increase in stocks	(96,674)	(78,368)
Increase in debtors	(400,118)	(316,761)
Increase in creditors	495,729	494,959
Net current liabilities transferred from		
District Health Authorities to Trusts	(66,820)	(156,349)
Transfer from donation reserve in		
respect of depreciation on donated assets	<u>(37,094)</u>	<u>(16,966)</u>
Net cash inflow from operating activities	<u>1,685,016</u>	<u>1,260,808</u>

Analysis of the change in cash and cash equivalents**20**

	31 March 1995 £000	1 April 1994 £000	Change in year £000
Cash at bank and in hand	64,653	59,985	4,668
Short term investments	57,397	70,564	(13,167)
Bank overdrafts	<u>(40,668)</u>	<u>(34,458)</u>	<u>(6,210)</u>
	<u>81,382</u>	<u>96,091</u>	<u>(14,709)</u>

Reconciliation of movements in Government Funds	21		£000
		Surplus for the financial year	342,786
		Less public dividend capital dividends	<u>(164,108)</u>
			178,678
		Losses from revaluation/indexation of purchased fixed assets	(645,164)
		New public dividend capital	63,751
		New loans from Government	1,257,327
		Government loans repaid	<u>(744,513)</u>
		Net increase in Government Funds	110,079
		Opening Government Funds at 1 April 1994	16,826,602
		Closing Government Funds at 31 March 1995	16,936,681
Capital commitments	22		31 March 1994
			£000
		Contracted	714,141
		Authorised by the boards, but not contracted	<u>954,544</u>
			<u>1,668,685</u>
Contingent liabilities	23	Potential contingent liabilities totalling £186,382,000 (1993-94 £78,960,000) have not been accrued as the outcome of these cases is uncertain. These include cases of clinical and medical litigation.	
Clinical negligence	24	24.1 Total clinical negligence claims settled in the year amounted to £3,307,000 (1993-94: £4,130,000). In addition, claims totalling £30,845,000 (1993-94 £101,944,000) were agreed but not settled as at the balance sheet date.	
		24.2 The total amount charged to other expenses in the income and expenditure account in respect of clinical negligence claims was £19,497,000 (1993-94 £53,629,000). There were no loans to fund clinical negligence expenditure.	
		24.3 Anticipated charge of deferred clinical negligence expenditure to the income and expenditure account:	
		£000	
		Within one year	1,045
		Between one and five years	7,464
		After five years	<u>300</u>
			<u>8,809</u>

It is also anticipated that a further £12,229,000 of probable clinical negligence expenditure will be funded through Government loans which have not yet been taken out.

Losses and Special Payments	25	There were 112,295 (1993-94 78,626) cases of losses and special payments totalling £24,902,000 (1993-94 £15,136,000) approved during 1994-95. These included 1 (1993-94, 2) clinical negligence case of £250,000 (1993-94, £587,000) and 2 capital schemes abandoned, totalling £417,967 where payments exceeded £100,000.
Post Balance Sheet Events	26	Fixed assets were revalued as at 1 April 1995 by the District Valuers. The opening balances for 1995-96 will be adjusted to reflect the valuation.

The Certificate of the Comptroller and Auditor General to the Houses of Parliament

I have audited the financial statements on pages 63 to 79 which have been prepared under the historical cost convention as modified by the revaluation of fixed assets and the accounting policies set out on pages 67 to 69.

Respective responsibilities of Accounting Officer and Auditors

As described on page 62 the Accounting Officer, on behalf of the Secretary of State, is responsible for the preparation of financial statements. It is my responsibility to form an independent opinion, based on my audit, on those statements and to report my opinion to you.

Basis of opinion

I certify that I have examined the financial statements referred to above in accordance with section 98(4) of the National Health Service Act 1977 and the National Audit Office auditing standards, which include relevant Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of NHS Trusts, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements give a true and fair view of the state of affairs of NHS Trusts at 31 March 1995 and their surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with section 98(4) of the National Health Service Act 1977 and with the directions made thereunder by the Treasury.

John Bourn
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

29 February 1996

For Report of the Comptroller and Auditor General see page i.

Foreword

- 1 This account has been prepared by the Department of Health under section 98 of the National Health Service Act 1977, in a form directed by the Treasury, for transmission on or before 30 November to the Comptroller and Auditor General for examination and certification. This section also provides for the accounts of individual family health services authorities to be audited by auditors appointed by the Audit Commission for Local Authorities and the National Health Service in England and Wales, and affords the Comptroller and Auditor General access to the reports of the Commission's auditors on those accounts and related records.
- 2 The audit of the annual accounts of family health services authorities has been completed and this summarised account is, therefore, based on audited figures.
- 3 This account also includes the account of payments for general dental services made by the Dental Practice Board. Most payments for fees, employers' superannuation contributions and the miscellaneous category of expenditure shown in the note on general dental services expenditure were incurred by the Board. Family health services authorities have a continuing responsibility for making certain residual dental payments.
- 4 Family health services authorities were established under section 10 of the National Health Service Act 1977 to exercise, on behalf of the Secretary of State, such of his functions as he directs relating to the health service. The expenditure shown in the summarised account is charged to Class XII Votes 1, 2 and 4 in the Department's Appropriation Accounts (Health and Personal Social Services, England). Expenditures relating to family health services administration, certain general medical services practice expenses, to the practice fund management allowance and to general practice fundholders from budgets allocated by regional health authorities are charged to Vote 1 and expenditures relating to other general medical services practice expenses are charged to Vote 4. Expenditures on the pharmaceutical services, the general dental services, and the general ophthalmic service are charged to Votes 2 and 4.
- 5 Whilst the account includes accrued expenditure on goods and services, the main source of funding - cash advances from the Department of Health - is recorded in the account on a receipts basis only (see Note 1 to the accounts - Accounting Policies). These are advanced monthly by the Department to authorities' accounts at the Paymaster General's Office against which authorities issue payable orders met by the Paymaster General's Office, for salaries/wages and goods/services. Authorities are expected to keep unused balances in their accounts at the Paymaster General's Office at a minimum level.
- 6 The rules under which authorities make disbursements generally require them to pay for goods/services in arrears rather than in advance. The Balance

Sheet may therefore show an excess of liabilities over assets since it does not include the funding from which the liabilities will be met.

- 7 The power to establish General Practice fundholders was included in the NHS and Community Care Act 1990. The accounts of the fundholders have been summarised in the accounts of their respective family health services authority. An aggregation of this financial information has also been disclosed in this summarised account. The number of GP Fundholding practices has increased from 1,250 in 1993-94 to 2,040 in 1994-95.

G A Hart
Accounting Officer

28 November 1995

Statement of Secretary of State's and Accounting Officer's responsibilities

Section 98 (4) of the National Health Service Act 1977 requires the Secretary of State to prepare a statement of accounts for each financial year in the form and on the basis determined by the Treasury. The accounts are prepared on behalf of the Secretary of State by the Accounting Officer on an accruals basis and must present fairly the state of affairs of family health services authorities at the year end and their income and expenditure and cash flows for the financial year.

In preparing the accounts the Accounting Officer is required to:

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to do so.

The Treasury have appointed the Permanent Secretary of the Department of Health as the Accounting Officer for the Summarised Account of family health services authorities. His relevant responsibilities, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records are set out in the Accounting Officers' memorandum issued by the Treasury and published in "Government Accounting" (HMSO).

Income and Expenditure Account for the year ended 31 March 1995

	Notes	£000	1993-94 £000
Income			
Department of Health funding	2	9,142,968	8,096,543
Other income		75,865	64,884
		<u>9,218,833</u>	<u>8,161,427</u>
Expenditure			
Provision of health care	3	9,103,410	8,072,069
Authority administration	4	101,184	88,921
Staff costs	5	114,023	105,516
		<u>9,318,617</u>	<u>8,266,506</u>
Deficit for the financial year		<u>(99,784)</u>	<u>(105,079)</u>

Statement of Total Recognised Gains and Losses for the year ended 31 March 1995

	£000	1993-94 £000
Deficit for the financial year	(99,784)	(105,079)
Unrealised (deficit)/surplus on the revaluation of fixed assets	(1,967)	2,282
Additions to reserves	2,946	-
Total recognised gains and losses for the year	<u>(98,805)</u>	<u>(102,797)</u>

The notes at pages 87 to 96 form part of this account.

Balance Sheet as at 31 March 1995

	Notes	£000	31 March 1994 £000
Fixed Assets	6	<u>41,732</u>	<u>40,749</u>
Current Assets			
Stocks		453	470
Debtors	7	77,697	60,879
Cash at bank and in hand	12	<u>28,487</u>	<u>22,679</u>
		106,637	84,028
Current Liabilities			
Creditors: amounts falling due within one year	8	1,220,738	1,100,119
Bank overdraft	12	<u>2,865</u>	<u>1,091</u>
		1,223,603	1,101,210
Net current liabilities		<u>(1,116,966)</u>	<u>(1,017,182)</u>
Total net liabilities		<u>(1,075,234)</u>	<u>(976,433)</u>
Financed by:			
Capital account	9	41,732	40,749
Balance due from Department		<u>(1,116,966)</u>	<u>(1,017,182)</u>
		<u>(1,075,234)</u>	<u>(976,433)</u>

The notes at pages 87 to 96 form part of this account.

G. A Hart
Accounting Officer

28 November 1995

Cash Flow Statement for the year ended
31 March 1995

	Notes	£000	1993-94 £000
Net cash inflow/(outflow) from operating activities	11	4,034	(8,686)
Investing Activities			
Payments to acquire tangible fixed assets		(8,123)	(4,223)
Receipts from the sale of tangible fixed assets		61	30
Net cash outflow before financing		<u>(8,062)</u>	<u>(4,193)</u>
Financing			
Capital funding		8,062	4,193
Increase/(decrease) in cash and cash equivalents	12	<u>4,034</u>	<u>(8,686)</u>

The notes at pages 87 to 96 form part of this account.

Notes to the Account

Accounting Policies 1

- 1.1 This account has been prepared under the historical cost convention, modified to reflect changes in the value of fixed assets and in accordance with standard accounting practice for the NHS approved by the Secretary of State.

Income Allocations

- 1.2 The main source of funding for the family health services authorities is cash advances from the Department of Health within an approved cash limit; these advances are recorded in the FHSA's accounts on a receipts basis rather than on an accruals basis. Note 17 shows GP fundholding accounts which do record fundholding income on an accruals basis.

Fixed Assets

- 1.3 The treatment of fixed assets in the accounts is in accordance with the principal capital charges objective to ensure that such charges are fully reflected in the pricing of health care services in order to promote fair competition within the NHS and also between the NHS and the private sector. The interest rate applied to capital charges in the financial year 1994-95 was 6%. A capital charge adjustment is made to the interest charge at the year end. This is the difference between the actual capital charge and the estimated (and paid) capital charge.

a. Capitalisation

All assets falling into the following categories are capitalised:

- i tangible assets which are capable of being used for more than one year, and have a cost equal to or greater than £5,000;
- ii groups of tangible assets which are interdependent or would normally be provided or replaced as a group with a total value in excess of £5,000 and an individual value of £250 or more;
- iii There is no change to the income and expenditure due to the operation of the capital charges adjustment policy.

b. Valuation

Fixed assets are valued as follows:

- i Land, buildings, installations and fittings held for operational use are stated at their depreciated replacement cost. Surplus land and buildings are stated at open market value for their alternative use. Valuations are carried out by the District Valuer of the Inland Revenue at three yearly intervals. The last valuation was made on 1 April 1993. Between valuations price indices appropriate to the category of asset are applied to arrive at the current value;
- ii equipment held for operational use is valued at depreciated replacement cost. Surplus equipment is valued at the net recoverable amount;

- iii assets in the course of construction are valued at current cost, including indexation.

c. Depreciation

Depreciation is charged on each main class of tangible asset as follows:

- i Land and assets in the course of construction are not depreciated;
- ii buildings, installations and fittings are depreciated on their revalued amount over the assessed remaining life of the asset as advised by the District Valuer;
- iii equipment is depreciated over the estimated life of the asset:

	Years
moveable engineering plant and equipment and long life medical equipment	15
furniture and medium life medical equipment	10
mainframe information technology installations	8
vehicles and soft furnishings	7
office, information technology, short life medical and other equipment	5

Stocks

- 1.4 Stocks are valued at the lower of cost and net realisable value.

Losses and Special Payments

- 1.5 Losses and special payments are charged to the relevant functional headings, including losses which would have been made good through insurance cover had health authorities not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). A separate statement of losses is also provided at Note 15.

Pensions Contributions

- 1.6 The cost of employer pensions contributions to the NHS Superannuation and other schemes is charged to the income and expenditure account.

Leases

- 1.7 Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. Rentals under operating leases are charged on a straight line basis over the terms of the leases.

Auditors' Remuneration

- 1.8 The auditors' remuneration disclosed in note 4 is for auditing the accounts of the individual FHSAs.

GP Fundholders

- 1.9 The income and expenditure account and the statement of working balances at Note 17 present the aggregate of the transactions of GP fundholders

reported in their accounts. These are prepared under accounting policies which differ from those applied by the family health services authorities and other NHS bodies.

The income, expenditure, debtor and creditor figures reported in the family health services primary statements and Notes in respect of GP fundholding therefore differ from the corresponding items in the GP fundholder accounts (Note 17) because GP fundholders recognise expenditure on hospital services on a commitment basis, fundholders accrue income in respect of undrawn funding and consequently raise debtor balances with the parent FHSA and there are timing differences in the fundholders' calculation of other creditors.

Department of Health Funding

2

31 March
1994
£000

Cash advances made from Class XII, Votes 1, 2
and 4 brought to account in the Department's
Appropriation Accounts were:

9,142,9688,096,543

Provision of Healthcare

3

31 March
1994
£000

GP Fundholding:

- Hospital and community health purchases	1,502,736	977,409
- Drugs	1,079,393	682,749
- Practice staff expenses	186,419	125,530
- Other expenditure	24,710	12,133
General medical services (cash limited)	573,572	580,394
General medical services (non cash limited)	1,898,897	1,841,111
Pharmaceutical services	2,677,758	2,781,915
General dental services	901,180	859,584
General ophthalmic services	213,675	193,988
Department of Health initiative expenditure	45,070	17,256
	<u>9,103,410</u>	<u>8,072,069</u>

Authorities' administration, purchasing and other expenditure	4		31 March 1994
		£000	£000
		Non-executive members' remuneration	5,775
		Establishment expenses	21,204
		Transport and moveable plant	1,493
		Premises and fixed plant	22,350
		Operating leases	1,291
		Agency services	2,902
		Capital - depreciation	3,022
		- capital charges interest	3,445
		Auditors' remuneration - audit fee	4,154
		Auditors' remuneration - other fees	566
		Recharges from other NHS bodies	3,607
		Miscellaneous	19,112
		101,184	88,921
		Hire and operating rentals included in expenses:	£000
		Hire of plant and machinery	224
		Other operating leases	3,187
		3,411	
Executive members and staff costs	5		1993-94
		£000	£000
		Salaries and wages	91,904
		Social security costs	7,891
		Other pension costs	3,501
		Agency staff	2,220
		114,023	105,516
Authority members' remuneration (included in the above)	5(a)		
		Non-executive members' remuneration	4,805
		Executive members' remuneration	
		Basic salaries	5,635
		Benefits	265
		Performance related bonuses	273
		Pension contributions	238
		Compensations for loss of office	86
		Pensions to former directors	47
		11,349	
	5(b)	The average number of employees (excluding agency staff) during the year was 7,709 (1993-94: 7,668).	

Fixed Assets**6****£000****Land**

Net book value at 31 March 1994	6,394
Additions	268
Transfers	(453)
Indexation	(392)
Revaluation	104
Net book value at 31 March 1995	<u>5,921</u>

Buildings, installations and fittings

Net book value at 31 March 1994	22,853
Additions	1,475
Transfers	8
Indexation	(209)
Revaluation	(1,786)
Depreciation provided during the year	(668)
Net book value at 31 March 1995	<u>21,673</u>

The net book value of land and buildings at 31 March 1995 comprises

Freehold	24,915
Long leasehold	1,677
Short leasehold	1,002
	<u>27,594</u>

Assets under construction

Value at 31 March 1994	748
Additions	3,938
Transfers	(277)
Indexation	(46)
Value at 31 March 1995	<u>4,363</u>

Equipment	£000
Gross replacement cost at 31 March 1994	15,646
Additions	2,160
Transfers	(137)
Indexation	546
Revaluation	(196)
Disposals	(762)
Gross replacement cost at 31 March 1995	17,257
Accumulated depreciation at 31 March 1994	4,892
Provided during the year	2,794
Additions	100
Transfers	(40)
Indexation	157
Revaluation	(161)
Disposals	(260)
Accumulated depreciation at 31 March 1995	7,482
Net book value:	
At 31 March 1994	10,754
At 31 March 1995	9,775

Total fixed assets

	Net book Value at 31 March 1995 £000	Net book Value at 31 March 1994 £000
Land	5,921	6,394
Buildings, installations and fittings	21,673	22,853
Assets under construction	4,363	748
Equipment	9,775	10,754
	41,732	40,749

Included in the amounts above are the following net book values relating to leased assets and assets acquired under hire purchase agreements:

	£000
Land	-
Buildings, installations and fittings	508
Equipment	-
Assets under construction	623
	1,131

Debtors	7		31 March 1994
		£000	£000
Department of Health, Health Authorities, Family Health Services Authorities and NHS Trusts		41,986	31,112
Other debtors		25,553	23,082
Prepayments and accrued income		10,158	6,685
		77,697	60,879
Creditors: amounts falling due within one year	8		31 March 1994
		£000	£000
Department of Health, Health Authorities, Family Health Services Authorities and NHS Trusts		208,773	155,460
Income tax and social security		1,355	2,092
Family Health Services creditors (contractors)		916,220	847,380
Other creditors		94,023	95,016
Rentals due under operating leases		8	12
Payments received on account		359	159
		1,220,738	1,100,119
Capital Account	9		31 March 1994
		£000	£000
The movement of reserves in the year comprised:			
At 31 March 1994		40,749	34,841
Additions		7,741	4,334
Transfers		(819)	2,436
Disposals and write off		(502)	(122)
Indexation		(258)	2,332
Revaluation		(1,717)	(50)
Depreciation			
– capital charges		(3,462)	(3,022)
At 31 March 1995		41,732	40,749

Obligations under leases and hire purchase contracts	10	£000
	Amounts payable:	
	Within one year	24
	Within 2 to 5 years	17
	After 5 years	-
		<u>41</u>
	Less: finance charges allocated to future periods	-
		<u>41</u>

Commitments under non-cancellable operating leases are as follows:

	Land and Buildings £000	Other £000
Operating leases which expire:		
Within one year	351	387
Within two to five years	1,946	782
In over five years	<u>4,236</u>	<u>51</u>
	<u>6,533</u>	<u>1,220</u>

Net Cash Inflow/ (Outflow) from Operating Activities	11	£000	1993-94 £000
Operating deficit		(99,784)	(105,079)
Decrease in net balances with the Department, and NHS bodies		42,439	62,018
Decrease/(Increase) in stocks		17	(470)
Increase in other debtors		(5,944)	(7,811)
Increase in other creditors		67,306	42,656
Net cash inflow/(outflow) from operating activities		<u>4,034</u>	<u>(8,686)</u>

Analysis of changes in cash and cash equivalents during the year	12	As at 31 March 1995 £000	As at 31 March 1994 £000	Change during the year £000
Cash at bank and in hand		28,487	22,679	5,808
Bank overdraft		<u>(2,865)</u>	<u>(1,091)</u>	<u>(1,774)</u>
Total		<u>25,622</u>	<u>21,588</u>	<u>4,034</u>

Contingent Liabilities	13	£000	31 March 1994 £000
The following contingent losses have not been included in the account: (relating mainly to claims by General Practitioners concerning contractual disputes)		<u>668</u>	<u>290</u>

Capital commitments	14			31 March
				1994
			£000	£000
		The authorities have the following capital commitments:		
		Contracted	7,963	2,095
		Authorised but not contracted	1,375	2,824
			9,338	4,919

Losses and Special Payments	15	Sample checks by family health services authorities on patients' claims for exemptions from dental and pharmaceutical charges, and access to the optical voucher scheme, indicate a total loss estimated at £45,455,000 from non-payment of amounts due.		

Extra-Statutory Payments

The summarised account of the family health services authorities for 1993-94 disclosed that, between April 1990 and March 1995, family health services authorities made extra-statutory payments estimated at £165 million to general practitioner fundholders in respect of allowances for the additional costs incurred in managing their funds. The actual payments made in this period totalled £159,733,000 of which £64,806,000 was paid in 1994-95. Treasury have retrospectively approved these extra-statutory payments.

A recent judgement in the High Court found that family health services authorities could not lawfully make payments from their cash limited general medical services allocations for services outside the scope of the National Health Service General Medical Services Statement of Fees and Allowances. Between April 1990 and March 1995 family health services authorities made such payments totalling £41,849,000, of which £11,797,000 was paid in 1994-95. Treasury have approved these payments to be treated as extra-statutory.

There were 2,445 (1993-94 13,687) other cases of losses and special payments totalling £7,686,009 (1993-94 £5,696,343) approved during 1994-95. No individual case exceeded £100,000 in value.

Post Balance Sheet Events	16	Fixed assets were revalued as at 1 April 1995 by the District Valuers. The opening balances for 1995-96 will be adjusted to reflect the valuation.		

GP Fundholding 17
accounts for the year
ended 31 March 1995

	£000	1993-94 £000
Income and Expenditure account		
Practice budgets allocated by regional health authorities	<u>2,846,814</u>	<u>1,841,105</u>
Expenditure		
Hospital services	1,499,374	976,322
Drugs and appliances	1,074,382	683,926
Practice staff costs	186,145	125,492
Expenditure from savings on other items	<u>27,180</u>	<u>13,374</u>
Total expenditure	<u>2,787,081</u>	<u>1,799,114</u>
Surplus for the financial year	59,733	41,991
Surplus brought forward	<u>72,805</u>	<u>30,814</u>
Surplus carried forward	<u>132,538</u>	<u>72,805</u>
Statement of Working Balances		
	31 March 1995	31 March 1994
Current Assets		
Debtors		
NHS Debtors	392,076	244,925
Other Debtors	708	866
Prepayments	<u>153</u>	<u>489</u>
	392,937	246,280
Cash at bank	<u>4,633</u>	<u>5,750</u>
	<u>397,570</u>	<u>252,030</u>
Current Liabilities		
Creditors – Amounts falling due within one year		
NHS Bodies	188,763	125,520
Other Creditors	35,710	21,993
Accruals	<u>38,992</u>	<u>31,083</u>
	263,465	178,596
Bank Overdraft	<u>1,563</u>	<u>629</u>
	<u>265,028</u>	<u>179,225</u>
Creditors – Amounts falling due after more than one year	<u>4</u>	<u>–</u>
	265,032	179,225
Net current assets	<u>132,538</u>	<u>72,805</u>
Financed by:		
Retained surplus	<u>132,538</u>	<u>72,805</u>

The Certificate of the Comptroller and Auditor General to the Houses of Parliament

I have audited the financial statements on pages 84 to 96 which have been prepared under the historical cost convention as modified by the revaluation of fixed assets and the accounting policies set out on pages 87 to 89.

Respective responsibilities of Accounting Officer and Auditors

As described on page 83 the Accounting Officer, on behalf of the Secretary of State, is responsible for the preparation of financial statements. It is my responsibility to form an independent opinion, based on my audit, on those statements and to report my opinion to you.

Basis of opinion

I certify that I have examined the financial statements referred to above in accordance with section 98(4) of the National Health Service Act 1977 and the National Audit Office auditing standards, which include relevant Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of family health services authorities, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements present fairly the net liabilities of the Family Health Services Authorities at 31 March 1995 and their income, expenditure, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with section 98(4) of the National Health Service Act 1977 and with the directions made thereunder by the Treasury.

John Bourn
Comptroller and Auditor General

29 February 1996

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

For Report of the Comptroller and Auditor General see page i

Foreword

- 1 These accounts have been prepared by the Department of Health under section 98 of the National Health Service Act 1977 in a form directed by the Treasury, for transmission on or before 30 November to the Comptroller and Auditor General for examination and certification. This section also provides for the accounts of the Dental Practice Board and special health authorities to be audited by auditors appointed by the Audit Commission for Local Authorities and the National Health Service in England and Wales and affords the Comptroller and Auditor General access to the reports of the Commission's appointed auditors on the accounts of individual authorities and to those accounts and related records.

Dental Practice Board and special health authorities, providing central services for the family health services authorities and other services, in England.

- 2 Central services have been provided by the following bodies:-

- a. **Health Education Authority.** This body was established on 1 April 1987 as a special health authority under section 11 of the National Health Service Act 1977 to replace the former Health Education Council. Its role is to advise Ministers on health promotion and education matters and to develop and undertake national and local programmes of health education in England. The Health Education Authority has a wider United Kingdom responsibility for public education in respect of AIDS. The expenses of the Authority relate to the cost of administration, publicity campaigns on specific health topics, education and training, research and general information services; they were defrayed by the Secretary of State for Health out of monies provided by Parliament and were accounted for through Class XII, Vote 3.

- b. **The Dental Practice Board.** This body was established as the Dental Estimates Board on 5 July 1948 under section 40 of the National Health Service Act 1946 which was later consolidated in section 37 of the National Health Service Act 1977. The Board's principal functions relate to the provision of general dental services including authorizing and making payments to dentists, giving prior approval for certain treatments and relevant surveys and research. The expenses of the Board relate solely to the cost of administration; they were defrayed by the Secretary of State for Health out of monies provided by Parliament and were accounted for through Class XII, Vote 3. A proportion of these expenses was met by the Secretary of State for Wales and charged to Class XV, Vote 8.

- c. **The Prescription Pricing Authority.** This body was established as a special health authority on 1 April 1974 under sections 5(6) and 6(3) of the National Health Service Reorganisation Act 1973, which was later consolidated in section 11 of the National Health Service Act 1977. The main function of the Authority is the pricing, on behalf of family health services authorities (FHSAs), of prescription for drugs, medicines and appliances for subsequent payment by the appropriate FHSA. In 1993-94 the Prescription Pricing

Authority took on the additional responsibility for administration of the NHS Low Income Scheme by the Health Benefits Division.

d. The Special Hospitals Service Authority. This body was established as a special health authority on 1 July 1989 under section 11 of the National Health Service Act 1977. The Authority's main functions are to provide and administer special hospitals for persons subject to detention under the Mental Health Act 1983. The expenses of the Authority were defrayed by the Secretary of State for Health out of monies provided by Parliament and charged to Class XII, Vote 3.

e. The Mental Health Act Commission. This body was constituted as a special health authority on 1 September 1983 under section 11 of the National Health Service Act 1977 to set standards and monitor the treatment of patients detained under the Mental Health Act 1983. The expenses of the Authority relate solely to the cost of administration; they were defrayed by the Secretary of State for Health out of monies provided by Parliament and charged to Class XII, Vote 3. A proportion of the expenses of the Authority was also met by the Secretary of State for Wales and charged to Class XV, Vote 5.

f. The Microbiological Research Authority. This body was established as a special health authority on 1 April 1994 under section 11 of the National Health Service Act 1977 to manage the Centre for Applied Microbiology and Research which previously formed part of the Public Health Laboratory Service. The authority is concerned with contributing to the health of the population of the United Kingdom by conducting research on specified microbiological hazards and with the development and production of diagnostic, prophylactic and therapeutic products. Its funding is mainly derived through income from contracts for research, production and other services with separate funding for particular research and other purposes being defrayed by the Secretary of State for Health out of monies provided by Parliament and charged to Class XII, Vote 3.

- 3 Health authorities have power under section 90 of the National Health Service Act 1977 to accept, hold and administer any property on trust for all or any purposes relating to the Health Service. Under section 91 of the above Act any sum so paid to the appropriate authority shall, so far as practicable, be applied by them for the purpose specified in the trust instrument.

G A Hart
Accounting Officer

29 November 1995

Income and Expenditure Account for the year ended 31 March 1995

	Notes	£000	1993-94 £000
Income			
Advances from the Department of Health	2	35,500	32,280
Other	3	<u>2,078</u>	<u>1,417</u>
		<u>37,578</u>	<u>33,697</u>

Expenditure

Revenue	4	<u>36,794</u>	<u>32,950</u>
Excess of income over expenditure		<u>784</u>	<u>747</u>

There were no other recognised gains or losses for the year.

Statement of Working Balances as at 31 March 1995

		£000	Balances at 31 March 1994 £000
Current Assets			
Stock		563	568
Debtors		2,307	1,667
Cash and bank balances	5	<u>2,680</u>	<u>2,172</u>
		5,550	4,407
Liabilities			
Creditors		<u>3,336</u>	<u>2,976</u>
Current assets less liabilities		<u>2,214</u>	<u>1,431</u>

The notes at pages 102 to 104 form part of this account

G A Hart
Accounting Officer

29 November 1995

Cash Flow Statement for the year ended 31 March 1995

	Notes	£000	1993-94 £000
Excess of income over expenditure		784	747
Decrease in stocks		4	668
Increase in debtors		(640)	(147)
Increase/(decrease) in creditors		360	(487)
Net cash inflow from operating activities	5	<u>508</u>	<u>781</u>

The notes at pages 102 to 104 form part of this account.

Notes to the Account

Accounting policies 1

(a) This account has been prepared in accordance with the accounting standards and policies for the NHS approved by the Secretary of State. Where relevant and applicable, these take cognisance of the Statements of Standard Accounting Practice issued by the Accounting Standards Board. There are however certain departures from the accruals concept:

- i. The main source of funding for the Authority - cash advances from the Department within an approved cash limit - is recorded in the account on a receipts basis and will not be comparable with the Department's accounts.
- ii Capital expenditure is charged to the Income and Expenditure Account in the year it is incurred and there is no record in a balance sheet of capital assets, nor is there any provision for depreciation of such assets in the account.

(b) Income.

Under arrangements approved by the Treasury, the Authority is permitted to retain certain items of income (direct credits) which are netted against expenditure and are not treated as income. These items include recoveries which the Department of Health and Treasury shall from time to time specify and lump sum contributions made from trust funds towards the general revenue expenditure.

(c) Stocks.

Stocks are valued at the lower of cost and net realisable value. Costs are calculated using average costs and/or the first in first out basis.

(d) Debtors and creditors.

Debtors and creditors are assessed on the basis of goods and services supplied or received on or before 31 March 1995 for which payment has not been received or made by this date.

(e) Losses and special payments.

Losses and special payments are generally charged to the relevant functional headings. Certain losses would have been made good through insurance cover had the Authority not been bearing its own risks and in that case the insurance premiums would have been included as normal revenue expenditure.

Advances from the	2		1993-94
Department of Health		£000	£000
		Net advances from Class XII, Vote 3 Subhead:	
		J 3 Revenue	
		35,500	32,280
Other income	3		
		AIDS	127 194
		Look after your heart	68 32
		Smoking	26 44
		Immunisation	4 16
		Alcohol	54 72
		Cancer	41 63
		Nutrition	17 59
		Family and Child Health	30 86
		Communications	17 34
		Field Development	670 773
		Other	1,024 44
		2,078	1,417
Revenue expenditure	4		
		AIDS	5,183 4,634
		Look after your heart	1,099 2,635
		Smoking	7,260 5,420
		Immunisation	3,464 1,614
		Alcohol	564 1,016
		Cancer	742 489
		Pharmacy Healthcare	237 279
		Nutrition	104 132
		Family and Child Health	521 621
		Accidents	314 144
		International	233 108
		Communications	2,603 1,870
		Research and Evaluation	1,824 1,631
		Primary Health Care	1,954 1,987
		Appointed auditor's remuneration	43 43
		Other Settings	1,586 951
		Staff	5,911 5,528
		General Support Costs	3,152 3,848
		36,794	32,950
Staff Costs included	4a		1993-94
in the above		£000	£000
		Salaries and wages	5,324 4,953
		Social Security Costs	451 445
		Other pension costs	136 130
		5,911	5,528
Included in the above figures is an amount of £104,000 being the termination payments made to two senior managers for which retrospective approval is being sought from the Secretary of State.			

Sixteen senior employees received remuneration within the range of £40,000 to £44,999, and one within the range £70,000 to £79,999.

The average number of employees during the year was 208.

Authority Members' Remuneration

Seven members received emoluments in the range 0-£5,000. Other emoluments were:

Fees	35	45
The emoluments of Chairman	23	21
The emoluments of the highest paid Member	84	70
	142	136

Analysis of change
in cash during
the year

5			1993-94
		£000	£000
	Balance at 1 April 1994	2,172	1,391
	Net cash inflow from operating activities	508	781
	Balance at 31 March 1995	2,680	2,172

The balances comprise only cash at bank and in hand. There are no bank overdrafts or short term investments.

Losses

6 There were no material losses for 1994-95.

The Certificate of the Comptroller and Auditor General to the Houses of Parliament

I have audited the financial statements on pages 100 to 104 which have been prepared under the historical cost convention and the accounting policies set out on page 102.

Respective responsibilities of Accounting Officer and Auditors

As described on page 109 the Accounting Officer, on behalf of the Secretary of State, is responsible for the preparation of financial statements. It is my responsibility to form an independent opinion, based on my audit, on those statements and to report my opinion to you.

Basis of opinion

I certify that I have examined the financial statements referred to above in accordance with section 98(4) of the National Health Service Act 1977 and the National Audit Office auditing standards, which include relevant Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the body's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements present fairly the net current assets of the Health Education Authority at 31 March 1995 and its income, expenditure, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with section 98(4) of the National Health Service Act 1977 and with the directions made thereunder by the Treasury.

John Bourn
Comptroller and Auditor General

29 February 1996

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Income and Expenditure Account for the year ended 31 March 1995

	Notes	£000	1993-94 £000
Income			
Dividends and interest		4	3
Donations etc		32	3
		36	6
Expenditure		3	3
Net income transferred to Capital Fund		33	3

There were no other recognised gains or losses.

Balance Sheet as at 31 March 1995

		£000	Balances at 31 March 1994 £000
Current assets			
Cash	3	93	57
		93	57
Current liabilities		(3)	-
Net current assets		90	57
Total assets less current liabilities		90	57
Capital Fund		90	57

The notes at page 108 form part of this account.

G A Hart
Accounting Officer

29 November 1995

Cash Flow Statement for the year ended
31 March 1995

	Notes	£000	1993-94 £000
Net income transferred to capital fund		33	3
Increase in creditors		<u>3</u>	<u>-</u>
Net cash inflow from operating activities	3	<u>36</u>	<u>3</u>

The notes at page 108 form part of this account.

Notes to the Account

- 1 This account has been prepared in accordance with the accounting policies approved by the Secretary of State and incorporates an income and expenditure account and balance sheet.
- 2 Capital Fund balances are for general purposes; there are no funds held in perpetuity.

Analysis of change in cash during the year

	1993-94
£000	£000
Balance at 31 March 1994	57
Net cash inflow from operating activities	36
Balance at 31 March 1995	93

The balances are held in interest bearing bank accounts.

Statement of Secretary of State's and Accounting Officer's responsibilities

Section 98(4) of the National Health Service Act 1977 requires the Secretary of State to prepare a statement of accounts for each financial year in the form and on the basis determined by the Treasury. The accounts are prepared on behalf of the Secretary of State on an accruals basis and must present fairly the income and expenditure and cash flows of the Health Education Authority and its trust funds for the financial year and its working balances at the year end.

In preparing the accounts the Secretary of State is required to:

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to do so.

The Treasury have appointed the Accounting Officer for the Department of Health as the Accounting Officer for the Summarised Accounts of the Health Education Authority and its trust funds. His relevant responsibilities, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for keeping proper records, are set out in the Accounting Officer's memorandum issued by the Treasury and published in "Government Accounting" (HMSO).

The Certificate of the Comptroller and Auditor General to the Houses of Parliament

I have audited the financial statements on pages 106 to 108 which have been prepared under the historical cost convention and the accounting policies set out on page 108.

Respective responsibilities of Accounting Officer and Auditors

As described on page 109 the Accounting Officer, on behalf of the Secretary of State, is responsible for the preparation of financial statements. It is my responsibility to form an independent opinion, based on my audit, on those statements and to report my opinion to you.

Basis of opinion

I certify that I have examined the financial statements referred to above in accordance with section 98(4) of the National Health Service Act 1977 and the National Audit Office auditing standards, which include relevant Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the body's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements present fairly the net assets of the trust funds held by the Health Education Authority at 31 March 1995 and their income, expenditure, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with section 98(4) of the National Health Service Act 1977 and with the directions made thereunder by the Treasury.

John Bourn
Comptroller and Auditor General
29 February 1996

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Income and Expenditure Account for the year ended 31 March 1995

		1993-94	
	Notes	£000	£000
Income			
Advances from the Department of Health and Welsh Office	2	21,775	23,666
Transfer from Reserves	3	857	638
	10	<u>23,497</u>	<u>24,852</u>
Expenditure			
Operating expenses	4	22,904	23,761
Depreciation	5	857	638
		<u>23,761</u>	<u>24,399</u>
Excess of (expenditure over income)/ income over expenditure		<u>(264)</u>	<u>453</u>

Statement of total recognised gains and losses for the year ended 31 March 1995

(Deficit)/ surplus for the Financial Year	(264)	453
Unrealised (deficit)/surplus on the revaluation of Fixed Assets	(1)	64
Total recognised gains and losses	<u>(265)</u>	<u>517</u>

The notes at pages 114 to 117 form part of this account.

Balance Sheet as at 31 March 1995

			Balances at 31 March 1994	£000 £000
Fixed Assets	5	5,939		6,024
Current Assets				
Debtors	6	1,278		1,646
Cash and bank balances		3		4
		<u>1,281</u>		<u>1,650</u>
Creditors:				
Amounts falling due within 1 year	7	703		826
Bank Overdraft		2		3
Net Current Assets		<u>576</u>		<u>821</u>
Total Net Assets		<u>6,515</u>		<u>6,845</u>
Financed by:				
Deferred Government Grant		2,891		3,091
Government Capital Reserve		3,049		2,823
Income and Expenditure Account		584		847
Revaluation Reserve	10	(9)		84
		<u>6,515</u>		<u>6,845</u>

The notes at pages 114 to 117 form part of this account.

G A Hart

Accounting Officer

29 November 1995

Cash Flow Statement for the year ended 31 March 1995

	Notes	1993-94 £000	£000
Net cash inflow from operating activities	8	<u>—</u>	<u>14</u>
Investing activities:			
Payments to acquire Tangible Fixed Assets		(792)	(1,952)
Net cash outflow before financing		<u>(792)</u>	<u>(1,938)</u>
Financing			
Receipts of Government Grants for Fixed Assets		792	1,952
Increase in cash and cash equivalents	9	<u>—</u>	<u>14</u>

The notes at pages 114 to 117 form part of this account.

Notes to the Account

Accounting Policies

1

(a) These accounts have been prepared under the historical cost convention modified to reflect the changes in the value of fixed assets in accordance with the published Standard Accounting Practices for the NHS approved by the Secretary of State. As there has been no change in operations the accounts have been prepared in a continuing operations format only. The main source of funding for the Dental Practice Board is cash advances from the Department of Health within an approved cash limit; these advances are recorded in the accounts on a receipt basis rather than on an accruals basis.

(b) Fixed Assets

Capitalisation

All assets falling into the following categories are capitalised;

(i) tangible assets which are capable of being used for a period which could exceed one year and have a cost equal to or greater than £5,000.

(ii) groups of tangible assets which are interdependent or would normally be replaced as a group with a total value in excess of £5,000 and an individual value of £250 or more.

Valuation

Fixed assets are valued as follows:

(i) Land and buildings valuations are carried out by the District Valuer of the Inland Revenue at three yearly intervals; the date of the most recent valuation was 1 April 1992. Valuations will be at 5 yearly intervals from 1 April 1995. Between these valuations the appropriate NHS indices are applied to revalue the assets.

(ii) Equipment is valued each year by reference to the appropriate NHS indices.

Depreciation

Assets are depreciated over their estimated lives by using the standard lives specified in the Capital Charges Manual, as follows:

Buildings	50 years
Furniture, Fixtures, Fittings, Plant and Machinery	10 years
Vehicles	7 years
Office Equipment and Computers	5 years

(c) Stocks

No figure is included in the account as the amounts involved are not material.

(d) Losses and special payments

Losses and special payments are generally charged to the relevant functional headings.

Net Advances	2	1993-94	
		£000	£000
	(a) Department of Health		
	Class XII, Vote 3 Subhead F3 Revenue	20,687	22,483
	(b) Welsh Office		
	Class XV, Vote 8 Subhead D4 Revenue	1,088	1,183
		<u>21,775</u>	<u>23,666</u>
<hr/>			
Other income	3	VAT reimbursements	719 469
		Isle of Man Health Service Board	51 29
		Overseas estimates	6 4
		Advertisements	— 3
		Sun Alliance, Dental Reports	1 1
		Certification charges	52 42
		Dental Data Services Receipts	7 —
		Sundry Receipts	13 —
		D.V.T.A.	16 —
		<u>865</u>	<u>548</u>
<hr/>			
Operating Expenses	4	(a) Staff Costs	
		Board members fees	47 40
		Salaries	11,248 13,398
		Secondments	22 14
		Social security costs	826 969
		Other-pension costs	388 451
		Redundancy payments	2,177 1,613
		<u>14,708</u>	<u>16,486</u>

Nineteen senior employees received remuneration within the range £40,001-£45,000, nine within the range £45,001-£50,000 and four within the range £50,001-£55,000.

The average number of employees for the year to 31 March 1995 was 832.

Annual redundancy and pension costs accruing to the Board will be funded out of the annual advances received from the Department of Health.

(b) Other Operating Expenses		
Bureau keying	969	1,156
Computer staff contractors	1,195	45
Consultants	295	329
Training	245	218
Hire and leasing	637	555
Heat, light and power	129	157
Rent and rates	466	504
Furniture and equipment	522	676
Maintenance of equipment and premises	1,745	1,951
Postage, stationery and telephone	941	853
Transport, travel and subsistence	326	329
Appointed auditors remuneration	90	79
Other operating expenses	636	423
	<u>8,196</u>	<u>7,275</u>
Total revenue expenditure	<u>22,904</u>	<u>23,751</u>

Fixed Assets 5

	Land	Buildings	Furniture Fixtures and Fittings	Computer and Office Equipment	Plant and Machinery	Vehicles	Total
Gross Replacement cost at 31 March 1994	683	2,164	331	3,591	770	340	7,879
Additions	—	273	21	382	—	97	773
Indexation	(65)	(58)	11	135	29	13	65
Revaluation	—	—	—	—	—	—	—
Disposals	—	—	—	—	—	—	—
Gross Replacement Cost at 31 March 1995	618	2,379	363	4,108	799	450	8,717
Accumulated Depreciation at 31 March 1994	—	87	54	1,473	198	44	1,856
Depreciation in year	—	44	36	701	87	53	921
Accumulated Depreciation at 31 March 1995	—	131	90	2,174	285	97	2,777
Net book value at 31 March 1995	618	2,248	273	1,934	514	353	5,940

Debtors 6

	1993-94	
	£000	£000
Sundry Debtors	245	309
Prepayments	1,033	1,337
	<u>1,278</u>	<u>1,646</u>

Creditors	7	1993-94	
		£000	£000
	Sundry Creditors	239	298
	Accruals	464	528
	Bank Overdraft	—	3
		<u>703</u>	<u>829</u>

Net cash inflow from operating activities	8	1993-94	
		£000	£000
	Excess of (expenditure over income)/ income over expenditure	(264)	453
	Depreciation	857	638
	Decrease in debtors revenue	368	(358)
	Decrease in revenue creditors	(104)	(81)
	Transfer from reserves	(857)	(638)
	Net cash inflow from operating activities	<u>—</u>	<u>14</u>

Analysis of cash and cash equivalents as shown in the balance sheet	9	As at 31 March 1994 £000	As at 31 March 1995 £000	Change During the Year £000
	Cash at Bank and in Hand (1)	4	3	
	Bank Overdraft	(3)	(2)	1
		<u>1</u>	<u>1</u>	<u>—</u>

Reserves	10	Deferred Government Government Grant £000	Government Capital Reserve £000	Income and Expenditure Account £000	Revaluation Reserve £000	Total £000
	Balance brought forward	3,091	2,823	847	84	6,845
	Indexation and Revaluation of Fixed Assets	—	—	—	(2)	(2)
	1994/95 Capital Grant	520	272	—	—	792
	Transfer to Income and Expenditure Account	(720)	(46)	—	(91)	(857)
	Deficit for the Year	<u>—</u>	<u>—</u>	<u>(263)</u>	<u>—</u>	<u>(263)</u>
		<u>2,891</u>	<u>3,049</u>	<u>584</u>	<u>(9)</u>	<u>6,515</u>

Losses 11 There were no losses reported.

Statement of Secretary of State's and Accounting Officer's responsibilities

Section 98(4) of the National Health Service Act 1977 requires the Secretary of State to prepare a statement of accounts for each financial year in the form and on the basis determined by the Treasury. The accounts are prepared on behalf of the Secretary of State on an accruals basis and must present fairly the state of affairs of the Dental Practice Board at the year end and its income and expenditure and cash flows for the financial year.

In preparing the accounts the Secretary of State is required to:

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to do so.

The Treasury have appointed the Accounting Officer for the Department of Health as the Accounting Officer for the Summarised Account of the Dental Practice Board. His relevant responsibilities, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for keeping proper records, are set out in the Accounting Officer's memorandum issued by the Treasury and published in "Government Accounting" (HMSO).

The Certificate of the Comptroller and Auditor General to the Houses of Parliament

I have audited the financial statements on pages 111 to 117 which have been prepared under the historical cost convention as modified by the revaluation of fixed assets and the accounting policies set out on page 114.

Respective responsibilities of Accounting Officer and Auditors

As described on page 118 the Accounting Officer, on behalf of the Secretary of State, is responsible for the preparation of financial statements. It is my responsibility to form an independent opinion, based on my audit, on those statements and to report my opinion to you.

Basis of opinion

I certify that I have examined the financial statements referred to above in accordance with section 98(4) of the National Health Service Act 1977 and the National Audit Office auditing standards, which include relevant Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the body's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements present fairly the net assets of the Dental Practice Board at 31 March 1995 and its income, expenditure, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with section 98(4) of the National Health Service Act 1977 and with the directions made thereunder by the Treasury.

John Bourn
Comptroller and Auditor General

29 February 1996

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Income and Expenditure Account for the year ended 31 March 1995

	Notes	£000
Income		
Advances from the Department of Health	2	45,161
Other	3	<u>2,247</u>
		47,408
Expenditure		
Revenue	4	40,188
Capital	5	<u>6,412</u>
		46,600
Excess of income over expenditure		<u>808</u>

There were no other recognised gains or losses for the year

Statement of Working Balances as at 31 March 1995

		Balances at 1 April 1994 £000	£000
Current Assets			
Stock		98	81
Debtors	7	1,097	754
Cash at bank and in hand	9	<u>89</u>	<u>18</u>
		1,284	853
Current Liabilities			
Creditors: amounts falling due within 1 year	8	<u>588</u>	<u>965</u>
Current assets less liabilities		<u>696</u>	<u>(112)</u>

The notes at pages 122 to 124 form part of this account

G A Hart
Accounting Officer

29 November 1995

Cash Flow Statement for the year ended
31 March 1995

	Notes	£000
Net cash inflow from operating activities		
Excess of income over expenditure		808
Increase in stocks		(17)
Increase in debtors		(343)
Decrease in creditors		(377)
		<u>71</u>
Investing activities		
Payments to acquire tangible fixed assets		(6,412)
Net cash outflow from investing activities		<u>(6,412)</u>
Net cash outflow before financing		<u>(6,341)</u>
Financing		
Departmental funding for capital expenditure		5,961
Other funding for capital expenditure		451
Net Cash Inflow from Fiancing		<u>6,412</u>
Increase in cash and cash equivalent	9	<u>71</u>

The notes at pages 122 to 124 form part of this account.

Notes to the Account

Accounting policies 1

(a) This account has been prepared in accordance with the accounting standards and policies for the NHS approved by the Secretary of State. Where relevant and applicable, these take cognisance of the Statements of Standard Accounting Practice issued by the Accounting Standards Board. There are however certain departures from the accruals concept:

- i. The main source of funding for the Authority — cash advances from the Department within an approved cash limit — is recorded in the account on a receipts basis.
- ii. Capital expenditure is charged to the Income and Expenditure Account in the year it is incurred and there is no record in a balance sheet of capital assets, nor is there any provision for depreciation of such assets in the account.

(b) Stocks.

Stocks are valued at the lower of cost and net realisable value. Costs are calculated using average costs and/or the first in first out basis.

(c) Debtors and creditors.

Debtors and creditors are assessed on the basis of goods and services supplied or received on or before 31 March 1995 for which payment has not been received or made by this date.

(d) Losses and special payments.

Losses and special payments are generally charged to the relevant functional headings. Certain losses would have been made good through insurance cover had the Authority not been bearing its own risks and in that case the insurance premiums would have been included as normal revenue expenditure.

(e) Pension Contributions.

The cost of employer pension contributions to the NHS Superannuation and other schemes is charged to the income and expenditure account.

(f) As from 1 April 1994, the basis of the accounts has changed from receipts and payments to an accruals basis. As a result the 1994-95 income and expenditure account is not comparable with the receipts and payments account included in the 1993-94 Summarised Account and prior year comparisons are not shown. Opening balances at 1 April 1994 were arrived at as follows:

i) Stocks

Stocks for the Computing Services Division are based on actuals. Other stock levels, were estimated and costed at 1994/95 costs adjusted for price increases.

ii) Debtors and Creditors

Debtors and creditors have been obtained from the Authority's financial records.

(g) The following have been classified as capital expenditure:

- Acquisition of land and premises;
- individual works schemes costing £15,000 or more;
- complete individual items of equipment costing £7,500 or more.

Advances from the Department of Health	2		£000
		Net advances from Class XII, Vote 3 Subhead:	
		Subhead F 1 Revenue	39,161
		Subhead F 2 Capital	<u>6,000</u>
			45,161
Other income	3		
		Pricing for other authorities	256
		Sale of equipment	5
		VAT	14
		Funding from other bodies	<u>1,521</u>
			1,796
		Capital	<u>451</u>
			2,247
Revenue expenditure	4		£000
		Staff costs	30,423
		Rent and rates	1,437
		Maintenance, Fuel, Power and Cleaning	1,189
		Equipment and Furniture	3,011
		Stationery, Printing, Postage and Telephone	2,022
		Staff Training, Advertising and Removal Expenses	354
		Transport	335
		Travel and Subsistence	265
		Appointed Auditors Remuneration	97
		Miscellaneous	<u>1,055</u>
			40,188
Capital expenses	5		£000
		Construction, Purchase, Adaptation Premises	1,018
		Plant, Furniture and Equipment	4,943
		FEEDACT	316
		PACT	96
		Nurse Prescribing	<u>39</u>
			46,600

Staff Costs included in the above	6		£000
		Salaries and wages	27,914
		Social Security Costs	2,471
		Other pension Costs	38
			<u>30,423</u>

The average number of employees (excluding agency staff) during the year was 2,169.

The following number of senior employees received remuneration (excluding pension contributions) within the following ranges:

	No
£30,000-£34,999	8
£35,000-£39,999	5
£40,000-£44,999	1
£55,000-£59,999	1
£60,000-£69,999	1

The remuneration of the highest paid officer was £61,442.

Debtors	7		1 April 1994
		£000	£000
		Trade debtors	— 5
		Other debtors	339 164
		Prepayments and accrued income	<u>758</u> <u>585</u>
			<u>1,097</u> <u>754</u>

Creditors	8		1 April 1994
		£000	£000
		Creditors	146 498
		Accruals	<u>442</u> <u>468</u>
			<u>588</u> <u>966</u>

Analysis of change in cash during the year	9		£000
		Balance at 1 April 1994	18
		Net cash inflow from operating activities	<u>71</u>
		Balance at 31 March 1995	<u>89</u>

The balances comprise only cash at bank and in hand. There are no bank overdrafts or short term investments.

Losses	10	There were no material losses.
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Statement of Secretary of State's and Accounting Officer's responsibilities

Section 98(4) of the National Health Service Act 1977 requires the Secretary of State to prepare a statement of accounts for each financial year in the form and on the basis determined by the Treasury. The accounts are prepared on behalf of the Secretary of State on an accruals basis and must present fairly the income and expenditure and cash flows of the Prescription Pricing Authority for the financial year and its working balances at the year end.

In preparing the accounts the Secretary of State is required to:

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to do so.

The Treasury have appointed the Accounting Officer for the Department of Health as the Accounting Officer for the Summarised Account of the Prescription Pricing Authority. His relevant responsibilities, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for keeping proper records, are set out in the Accounting Officer's memorandum issued by the Treasury and published in "Government Accounting" (HMSO).

The Certificate of the Comptroller and Auditor General to the Houses of Parliament

Respective responsibilities of Accounting Officer and Auditors

I have audited the financial statements on pages 120 to 124 which have been prepared under the historical cost convention and the accounting policies set out on pages 122 and 123.

As described on page 125 the Accounting Officer, on behalf of the Secretary of State, is responsible for the preparation of financial statements. It is my responsibility to form an independent opinion, based on my audit, on those statements and to report my opinion to you.

Basis of opinion

I certify that I have examined the financial statements referred to above in accordance with section 98(4) of the National Health Service Act 1977 and the National Audit Office auditing standards, which include relevant Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the body's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements present fairly the net current assets of the Prescription Pricing Authority at 31 March 1995 and its income, expenditure, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with section 98(4) of the National Health Service Act 1977 and with the directions made thereunder by the Treasury.

John Bourn
Comptroller and Auditor General

29 February 1996

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Income and Expenditure Account for the year ended 31 March 1995

	Notes	£000	1993-94 £000
Income			
Advances from the Department of Health	2	117,262	118,374
Other	3	<u>415</u>	<u>887</u>
		<u>117,677</u>	<u>119,261</u>
Expenditure			
Revenue	4	101,811	99,752
Capital	5	<u>15,477</u>	<u>20,226</u>
		<u>117,288</u>	<u>119,978</u>
Excess of income over expenditure/ (expenditure over income)		<u>389</u>	<u>(717)</u>

There were no other recognised gains and losses for the year.

Statement of Working Balances as at 31 March 1995

		Balances at 31 March 1994 £000	£000
Current assets			
Stock		565	468
Debtors		<u>4,089</u>	<u>2,464</u>
		<u>4,654</u>	<u>2,932</u>
Liabilities			
Creditors		8,414	6,934
Bank overdraft	7	<u>161</u>	<u>308</u>
		<u>8,575</u>	<u>7,242</u>
Net current liabilities		<u>(3,921)</u>	<u>(4,310)</u>

The notes at pages 129 to 131 form part of this account.

G A Hart
Accounting Officer

26 January 1996

Cash Flow Statement for the year ended 31 March 1995

	Notes	£000	1993-94 £000
Net Cash inflow from operating activities	6	147	16
Investing Activities			
Payments to acquire tangible fixed assets		(14,087)	(20,103)
Receipts from the sale of tangible fixed assets		395	877
Net cash outflow before financing		<u>(13,545)</u>	<u>(19,210)</u>
Financing			
Capital Funding		13,692	19,226
Net cash inflow from financing		13,692	19,226
Increase in cash and cash equivalents		<u>147</u>	<u>16</u>

The notes at pages 129 to 131 form part of this account.

Notes to the Account

Accounting policies 1

(a) This account has been prepared in accordance with the accounting standards and policies for the NHS approved by the Secretary of State. Where relevant and applicable, these take cognisance of the Statements of Standard Accounting Practice issued by the Accounting Standards Board. There are however certain departures from the accruals concept:

- i. The main source of funding for the Authority — cash advances from the Department of Health within an approved cash limit — is recorded in the account on a receipts basis and will not be comparable with the Department's accounts.
- ii. Capital expenditure is charged to the income and expenditure account in the year it is incurred and there is no record in a balance sheet of capital assets, nor is there any provision made for depreciation of such assets in the account.

(b) Income.

Under arrangements approved by the Treasury, the Authority is permitted to retain certain items of income (direct credits) which are netted against expenditure and are not treated as income. These items include recoveries made from staff for board, lodgings, supplies and services; income from canteens, patients' workshops, farms and gardens and other semitrading services; lump sum contributions from trust funds towards the general revenue expenditure on running hospitals.

(c) Stocks.

Stocks are valued at cost. Costs are calculated using average costs and/or the first in first out basis.

(d) Debtors and creditors.

Debtors and creditors are assessed on the basis of goods or services supplied or received on or before 31 March 1995 for which payment has not been received or made by that date.

(e) **Capital expenditure.** The following expenditure has been classified as capital expenditure:

- acquisition of land and premises;
- individual work schemes costing £15,000 or more;
- complete individual items of medical, dental or computer equipment costing £7,500 or more (before deduction of any sum obtained for a replaced item);
- all purchases of vehicles;
- pay and directly related expenses of works officers and the staff of their departments who are fully or mainly engaged on spending charged to capital.

(f) Losses and special payments.

Losses and special payments are generally charged to the relevant functional headings. Certain losses would have been made good through insurance cover had the Authority not been bearing their own risks and in that case the insurance premiums would have been included as revenue expenditure.

Advances from the Department of Health	2			1993-94
			£000	£000
		Net advances from Class XII, Vote 3 Subhead:		
		G 1 Revenue	103,570	99,148
		G 2 Capital	13,692	19,226
			117,262	118,374
Other income	3	Rent	19	10
		Sale of staff accommodation, etc	396	877
			415	887
Revenue expenditure	4			1993-94
			£000	£000
		(a) Headquarters		
		Administration expenses	2,132	2,557
		Appointed auditor's remuneration	72	65
			2,204	2,622
		(b) Hospital Services:		
		Patient Care:		
		Direct treatment/supplies	58,480	54,140
		Support services	12,128	11,720
		General Services:		
		Patient related	4,881	5,141
		Non-patient related	24,546	25,180
			100,035	96,181
		(c) Other Services	(428)	949
			101,811	99,752

Staff Costs included in the above	4a	Authority member's remuneration		1993-94
			£000	£000
		Fees	45	31
		Other emoluments	277	241
		Total	322	272
		The emoluments of the Chairman	19	15
		The emoluments of the Chief Executive	81	68
		The emoluments of the highest paid member (if not the Chief Executive)	-	69
		Fifteen senior employees received remuneration within the range of £40,000 to £50,000, twenty seven within the range £50,001 to £60,000 and eight within the range £60,001 to £70,000.		
Capital expenditure	5			1993-94
			£000	£000
		Purchase, construction, adaptations, etc of premises	14,852	19,117
		Purchase of computers	288	592
		Purchase of vehicles	25	172
		Other capital expenditure	312	345
			15,477	20,226
Cash Flow Statement	6			1993-94
			£000	£000
		Excess of income over expenditure/ (expenditure over income)	389	(717)
		Add capital items	1,178	123
		Operating surplus/(deficit)	1,567	(594)
		(Increase)/decrease in stocks	(97)	101
		Increase in debtors	(1,625)	(258)
		Increase in creditors	302	767
		Net cash inflow from operating activities	147	16
Analysis of change in cash during the year	7			1993-94
			£000	£000
		Balance at 1 April 1994	(308)	(324)
		Net cash inflow from operating activities	147	16
		Balance at 31 March 1995	(161)	(308)
The balances comprise cash overdrawn at the bank.				
Losses	8	A total of 385 cases resulting in losses of £53,000 were reported in 1994-95.		

The Certificate of the Comptroller and Auditor General to the Houses of Parliament

I have audited the financial statements on pages 127 to 131 which have been prepared under the historical cost convention and the accounting policies set out on pages 129 and 130.

Respective responsibilities of Accounting Officer and Auditors

As described on page 136 the Accounting Officer, on behalf of the Secretary of State, is responsible for the preparation of financial statements. It is my responsibility to form an independent opinion, based on my audit, on those statements and to report my opinion to you.

Basis of opinion

I certify that I have examined the financial statements referred to above in accordance with section 98(4) of the National Health Service Act 1977 and the National Audit Office auditing standards, which include relevant Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the body's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements present fairly the net current liabilities of the Special Hospitals Service Authority at 31 March 1995 and its income, expenditure, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with section 98(4) of the National Health Service Act 1977 and with the directions made thereunder by the Treasury.

John Bourn
Comptroller and Auditor General

29 February 1996

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Income and Expenditure Account for the year ended 31 March 1995

	Notes	£000	1993-94 £000
Income			
Dividends and interest		14	14
Other income		1	1
Expenditure			
Administration		1	1
Patients' welfare and amenities		7	6
Net Income transferred to Capital Fund		<u>7</u>	<u>8</u>

Balance Sheet as at 31 March 1995

		£000	Balances at 31 March 1994 £000
Investments			
Wider range (Market value £35,072)	2	20	20
Special range (Market value £130,420)	2	<u>104</u>	<u>104</u>
		124	124
Current assets			
Cash at bank and in hand		123	118
Sundry debtors		<u>2</u>	<u>-</u>
		125	118
Current liabilities		<u>-</u>	<u>-</u>
Net current assets		125	118
Total assets less current liabilities		<u>249</u>	<u>242</u>
Capital Fund	3	<u>249</u>	<u>242</u>

The notes at page 135 form part of this account.

G A Hart
Accounting Officer

29 November 1995

Cash Flow Statement for the year ended
31 March 1995

	Notes	£000	1994 £000
Net cash outflow from operating activities	4	(6)	(6)
Dividends and interest received		<u>11</u>	<u>14</u>
Increase in cash and cash equivalents	5	<u>5</u>	<u>8</u>

The notes at page 135 form part of this account.

Notes to the Account

- 1** This account has been prepared in accordance with the accounting policies approved by the Secretary of State and incorporates an income and expenditure account and a balance sheet.

Investments

		Balances 31 March 1994
	£000	£000
Wider Range	20	20
Special Range	<u>104</u>	<u>104</u>
	<u>124</u>	<u>124</u>

Capital Fund

- 3** Analysis of change in capital fund during the year

		1993-94
	£000	£000
Balance of funds at 31 March 1994	242	234
Net income transferred from Income and Expenditure Account	7	8
Balance of funds at 31 March 1995	<u>249</u>	<u>242</u>

Capital Fund balances are for general purposes; there are no funds held in perpetuity.

Net cash outflow from operating activities

		1993-94
	£000	£000
Net income transferred to Capital fund	7	8
Less dividends and interest	<u>(13)</u>	<u>(14)</u>
Net cash outflow from operating activities	<u>(6)</u>	<u>(6)</u>

Analysis of change in cash during the year

		1993-94
	£000	£000
Balance at 31 March 1994	118	110
Increased balances in cash and cash equivalents	<u>5</u>	<u>8</u>
Balance at 31 March 1995	<u>123</u>	<u>118</u>

The balances are held in interest bearing bank accounts.

Statement of Secretary of State's and Accounting Officer's responsibilities

Section 98(4) of the National Health Service Act 1977 requires the Secretary of State to prepare a statement of accounts for each financial year in the form and on the basis determined by the Treasury. The accounts are prepared on behalf of the Secretary of State on an accruals basis and must present fairly the income and expenditure and cash flows of the Special Hospitals Service Authority and its trust funds for the financial year and its working balances at the year end.

In preparing the accounts the Secretary of State is required to:

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to do so.

The Treasury have appointed the Accounting Officer for the Department of Health as the Accounting Officer for the Summarised Accounts of the Special Hospitals Service Authority and its trust funds. His relevant responsibilities, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for keeping proper records, are set out in the Accounting Officer's memorandum issued by the Treasury and published in "Government Accounting" (HMSO).

The Certificate of the Comptroller and Auditor General to the Houses of Parliament

I have audited the financial statements on pages 133 to 135 which have been prepared under the historical cost convention and the accounting policies set out on page 135.

Respective responsibilities of Accounting Officer and Auditors

As described on page 136 the Accounting Officer, on behalf of the Secretary of State, is responsible for the preparation of financial statements. It is my responsibility to form an independent opinion, based on my audit, on those statements and to report my opinion to you.

Basis of opinion

I certify that I have examined the financial statements referred to above in accordance with section 98(4) of the National Health Service Act 1977 and the National Audit Office auditing standards, which include relevant Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the body's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements present fairly the net assets of the trust funds held by the Special Hospitals Service Authority at 31 March 1995 and their income, expenditure, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with section 98(4) of the National Health Service Act 1977 and with the directions made thereunder by the Treasury.

John Bourn
Comptroller and Auditor General

29 February 1996

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Receipts and Payments Account for the year ended 31 March 1995

	Notes	£000	1993-94 £000
Receipts			
Advances from the Department of Health and Welsh Office	2	2,667	2,375
Payments			
Commission members' fees and expenses	3	1,840	1,701
Administrative support staff costs	4	515	446
Other operating expenses	5	300	222
		<u>2,655</u>	<u>2,369</u>
Excess of receipts over payments		<u>12</u>	<u>6</u>

Statement of Balances as at 31 March 1995

	Balances at 31 March 1995 £000	Movement £000	Balances at 31 March 1994 £000
Cash and bank balances	<u>8</u>	<u>7</u>	<u>15</u>

The notes at pages 139 to 140 form part of this account

G A Hart
Accounting Officer

26 January 1996

Notes to the Account

- 1 This account has been prepared in the form directed by the Treasury, in accordance with section 98(4) of the National Health Service Act 1977.

Receipts	2		1993-94
		£000	£000
		Net advances from the Department of Health:	
		Class XII, Vote 3 Subhead:	
		A 1 (part)	699 577
		G 3 (part)	1,953 1,740
		Other Receipts	15 5
			<u>2,667 2,322</u>
		Net advances from the Welsh Office:	
		Class XV, Vote 5 Subhead:	
		G 7 (part)	- 53
			<u>2,667 2,375</u>
Commission members	3	Members' fees and expenses	1,180 1,138
		Second opinion doctors' fees and expenses	660 563
			<u>1,840 1,701</u>
Administrative support staff costs	4	(a) Salaries	427 360
		Social security costs	31 27
		Other pension costs	53 48
		Agency costs	4 11
			<u>515 446</u>
		(b) Senior employees receiving remuneration above £40,000.	
		One senior employee received remuneration within the range of £40,000 to £49,999.	

Other operating expenses	5	1993-94	
		£000	£000
		Accommodation	65
		Office services	107
		Appointed auditor's remuneration	9
		SOAD Training	25
		Payments for purchase, construction and adaptation of premises	2
		Plant and equipment	10
		Patient Information Leaflet	3
		Miscellaneous	79
			300
			222
Losses	6	There were no losses reported in 1994-95.	

Statement of Secretary of State's and Accounting Officer's responsibilities

Section 98(4) of the National Health Service Act 1977 requires the Secretary of State to prepare a statement of accounts for each financial year in the form and on the basis determined by the Treasury. The accounts are prepared on behalf of the Secretary of State on a cash basis and must properly present the receipts and payments of the Mental Health Act Commission for the financial year and its balances at the year end.

In preparing the accounts the Secretary of State is required to:

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to do so.

The Treasury have appointed the Accounting Officer for the Department of Health as the Accounting Officer for the Summarised Account of the Mental Health Act Commission. His relevant responsibilities, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for keeping proper records, are set out in the Accounting Officer's memorandum issued by the Treasury and published in "Government Accounting" (HMSO).

The Certificate of the Comptroller and Auditor General to the Houses of Parliament

I have audited the financial statements on pages 138 to 140 which have been prepared under the historical cost convention and the accounting policies set out on page 139.

Respective responsibilities of Accounting Officer and Auditors

As described on page 141 the Accounting Officer, on behalf of the Secretary of State, is responsible for the preparation of financial statements. It is my responsibility to form an independent opinion, based on my audit, on those statements and to report my opinion to you.

Basis of opinion

I certify that I have examined the financial statements referred to above in accordance with section 98(4) of the National Health Service Act 1977 and the National Audit Office auditing standards, which include relevant Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the body's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements properly present the receipts and payments of the Mental Health Act Commission for the year ended 31 March 1995 and its balances as at that date and have been properly prepared in accordance with section 98(4) of the National Health Service Act 1977 and with the directions made thereunder by the Treasury.

John Bourn
Comptroller and Auditor General

29 February 1996

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Income and Expenditure Account for the year ended 31 March 1995

	Notes	£000
Income		
Department of Health funding		4,722
Income from activities	2	10,204
Interest receivable		34
Transfer from deferred Government grant reserve		981
		<u>15,941</u>
Expenditure		
Cost of sales	3	9,560
Distribution and marketing costs	4	544
Administration, maintenance and other costs	4	6,797
		<u>16,901</u>
Deficit on ordinary activities		(960)
Less: exceptional costs	5	<u>(1,554)</u>
Deficit for the financial year		(2,514)
Transfer from Revaluation Reserve		785
Retained deficit carried forward		<u>(1,729)</u>

Note: There were no discontinued activities

Statement of Total Recognised Gains and Losses for the year ended 31 March 1995

	£000
Deficit for the financial year	(2,514)
Net surplus on the revaluation of fixed assets	161
Total recognised losses for the Financial Year	<u>(2,353)</u>

The notes at pages 146 to 151 form part of this account

Balance Sheet as at 31 March 1995

	Notes	Balances at 31 March 1995 £000	Balances at 1 April 1994** £000
Fixed assets	7	27,363	26,382
Current assets			
Stocks and work in progress	9	2,118	3,650
Debtors and prepayments	10	3,381	2,411
Cash at bank and in hand		<u>1</u>	<u>-</u>
		5,500	6,061
Creditors			
Amounts falling due within 1 year	11	1,113	927
Net current assets		<u>4,387</u>	<u>5,134</u>
Total assets less current liabilities		<u>31,750</u>	<u>31,516</u>
Financed by:			
Creditors: amounts falling due after more than one year	12	545	616
Insurance provision		335	-
Deferred Government grant	13	5,456	3,918
Capital reserve		14,489	14,489
Revaluation reserve	14	12,654	12,493
Income and expenditure account		<u>(1,729)</u>	<u>-</u>
		<u>31,750</u>	<u>31,516</u>

**See Note 18

The notes at pages 146 to 151 form part of this account

G A Hart
Accounting Officer

29 November 1995

Cash Flow Statement for the year ended 31 March 1995

	Notes	£000
Operating activities		
Net cash outflow from operating activities	15	(667)
Investing activities		
Payments to acquire tangible fixed assets		(1,487)
Assets in the course of construction		<u>(316)</u>
Net cash outflow from investing activities		<u>(1,803)</u>
Net cash outflow before financing		(2,470)
Financing:		
Department of Health capital funding		<u>2,471</u>
Increase in cash and cash equivalents	16	<u>1</u>

The notes at pages 146 to 151 form part of this account

Notes to the Account

Accounting Policies 1

1.1 Accounting conventions

This account has been prepared under the historical cost convention modified to reflect changes in the value of fixed assets in accordance with the published Standard Accounting Practices for the NHS approved by the Secretary of State.

1.2 Income allocations

Fundings from the Department of Health within approved cash limits, are recorded in the accounts on a receipts basis rather than on an accruals basis. Those for capital expenditure are credited to a deferred government grant account and released to the income and expenditure account over the expected useful lives of the relevant assets by equal annual amounts.

1.3 Fixed Assets

a. Capitalisation

All tangible assets which have a value exceeding £5,000 and an estimated useful life of one year or more, are capitalised.

b. Valuation

Fixed assets are valued as follows:

- (i) A valuation of the Authority's land and buildings was carried out at 31 March 1995 by the Valuation Office Agency. This valuation was prepared on the depreciated replacement cost of the assets and forms the basis of the valuation included in this account;
- (ii) Plant, machinery, vehicles and computers are valued annually and adjustments made for technological obsolescence.

c. Depreciation

Depreciation is provided on all fixed assets, other than freehold land, at rates calculated to write-off the cost or valuation, to the estimated residual value of each asset on a straight line method from the date of acquisition, as follows:

Buildings	Average of 20 years
Scientific equipment	5-15 years
Plant and machinery	5-15 years
Vehicles	7 years
Office and I T equipment	5 years

1.4 Stocks and work in progress

Stocks are valued at the lower of cost or net current replacement cost if materially different, and net realisable value.

1.5 Research and Development

Expenditure on research and development is written off in the year in which it is incurred.

1.6 Losses and special payments

Losses and special payments are generally charged to the relevant functional headings.

Income from activities 2**£000**

Products	3,152
Royalties	1,342
Grants and research contracts	4,295
Services and other income	1,415
	<u>10,204</u>

Cost of sales**3****£000**

Production	2,599
Research	3,495
Depreciation	644
Other costs	2,822
	<u>9,560</u>

Distribution, administration, maintenance and other costs**4****£000**

Salaries and wages	3,381
Non-manpower costs	2,471
Insurance provision	335
Depreciation	1,122
Auditors' remuneration- audit fee	29
- other fees	3
	<u>7,341</u>

Exceptional costs**5**

These costs cover actual payments and provisions related to the establishment of the Authority and its transition from an operating unit within the Public Health Laboratory Service to a special health authority reporting directly to the Department of Health.

Staff costs	6	£000
Non-executive Board members' emoluments and social security costs		36
Salaries and wages		7,457
Social security costs		597
Other pension costs		259
		<u>8,349</u>

The average number of employees (excluding non-executive directors) during the year was 403.

The Chief Executive's total remuneration including contributions to the National Health Service Superannuation Scheme (of which he is an ordinary member) was £77,335.

The number and remuneration of senior employees fell within the following ranges:

Range £s	Number
40,000-49,999	13
50,000-59,999	4
60,000-69,999	-
70,000-79,999	1

Fixed Assets	7						
		Land and Buildings	Plant and Machinery	Vehicles	Computer and Office Equipment	Assets Under Construction	Total
		£000	£000	£000	£000	£000	£000
Cost/Valuation							
At 1 April 1994		44,346	8,042	66	623	434	53,511
Additions		777	533	–	177	316	1,803
Revaluation		1,376	309	3	24	–	1,712
Disposals		–	(36)	–	–	–	(36)
At 31 March 1995		46,499	8,848	69	824	750	56,990
Depreciation							
At 1 April 1994		20,691	5,800	34	604	–	27,129
Charge for year		1,122	608	9	27	–	1,766
Revaluation		517	223	1	23	–	764
Disposals		–	(32)	–	–	–	(32)
At 31 March 1995		22,330	6,599	44	654	–	29,627
Net Book Value							
At 1 April 1994		23,655	2,242	32	19	434	26,382
At 31 March 1995		24,169	2,249	25	170	750	27,363

Capital commitments	8	31 March 1995	£000
		The Authority has the following capital commitments:	
		Contracted	131
		Authorised but not contracted	—
			<u>131</u>
Stocks and work in progress	9		£000
		Raw materials	271
		Work in progress	1,046
		Finished goods	801
			<u>2,118</u>
Debtors and prepayments	10		£000
		Sundry trade and other debtors	2,274
		Prepayments	1,107
			<u>3,381</u>
Creditors: Amounts falling due within one year	11		£000
		Trade creditors and accruals	704
		Salaries and wages creditors and VAT	315
		Superannuation provision	94
			<u>1,113</u>
Creditors: Amounts falling due after more than one year	12		£000
		Provision for continued superannuation commitments in respect of former staff	545
Deferred Government Grant	13		£000
		Deferred grant at 1 April 1994	3,918
		Grant received during the year	2,471
		Income and expenditure account adjustment	48
		Grant utilised during the year	(981)
			<u>5,456</u>

Revaluation Reserve	14				£000
		Revaluation reserve at 1 April 1994			12,493
		Revaluation of fixed assets			1,712
		Revalued depreciation			(764)
		Disposals			(2)
		Transfer to Income and expenditure account			(785)
					<u>12,654</u>
Reconciliation of operating deficit to net cash outflow from operating activities	15				£000
		Deficit for the year			(2,514)
		Depreciation			1,766
		Net transfer from Deferred Grant Reserve			(933)
		Insurance provision			335
		Losses on sale of fixed assets			2
		Decrease in stocks			1,532
		Increase in debtors			(970)
		Increase in creditors			<u>115</u>
		Net cash outflow from operating activities			<u>(667)</u>
Analysis of cash and cash equivalents	16		31 March 1995 £000	31 March 1994 £000	Change during year £000
		Cash at bank and in hand	1	–	1
Prior year comparatives	17	As 1994–95 was the Authority’s first year of operation as a separate special health authority, properly comparable figures for earlier years are not available and consequently no prior year comparative figures have been included in these accounts.			
Restatement of opening balances	18	On the establishment of the Authority on 1 April 1994, all assets were transferred from the Public Health Laboratory Service at the values set out in its accounts for the year ended 31 March 1994.			
		Following the transfer of assets there was a reappraisal of the asset valuations and a full physical inventory of all plant, machinery, scientific equipment and stock holdings. As a result of this reappraisal and a review of working capital valuations, a number of adjustments have been made to the opening balance sheet of the Microbiological Research Authority in order that the results for the year are not adversely affected or distorted so as to fail to present fairly the income, expenditure and results of the 1994–95 financial year.			
		The main adjustments reflect a valuation of land and buildings as at 31 March 1994 by the Valuation Office Agency, a full asset inventory, the effects of an increase in the threshold figure for the capitalisation of assets from £1,000 to			

£5,000 and reassessments of the provisions for obsolete stocks and the balances due from the PHLS and to the NHS Superannuation Fund.

The revised and original transfer values of assets as at 1 April 1994 and 31 March 1994 respectively, are summarised below.

	1 April 1994 £000	31 March 1994 £000
Fixed Assets		
Land	1,300	1,300
Buildings		
Cost/revaluation	43,046	45,026
Less:		
Depreciation	(20,691)	(21,574)
	<u>23,655</u>	<u>24,752</u>
Plant, Scientific Equipment		
Cost/valuation	8,731	2,326
Less:		
Depreciation	(6,438)	(1,357)
	<u>2,293</u>	<u>969</u>
Assets in the course of construction	434	—
Net Fixed Assets	<u>26,382</u>	<u>25,721</u>
Current Assets		
Stocks	3,650	4,048
Debtors	2,411	1,283
	6,061	5,331
Less: Creditors due within one year	(927)	(469)
Net Current Assets	<u>5,134</u>	<u>4,862</u>
Total Assets Less Current Liabilities	<u>31,516</u>	<u>30,583</u>
Financed By:		
Creditors due after more than one year	616	—
Capital and Reserves		
Deferred Grants Reserve	3,918	3,009
Capital Reserve	14,489	14,564
Revaluation Reserve	12,493	13,010
	<u>31,516</u>	<u>30,583</u>

Statement of Secretary of State's and Accounting Officer's responsibilities

Section 98(4) of the National Health Service Act 1977 requires the Secretary of State to prepare a statement of accounts for each financial year in the form and on the basis determined by the Treasury. The accounts are prepared on behalf of the Secretary of State on an accruals basis and must present fairly the state of affairs of the Microbiological Research Authority at the year end and its income and expenditure and cash flows for the financial year.

In preparing the accounts the Secretary of State is required to:

- observe the accounts direction issued by the Treasury including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to do so.

The Treasury have appointed the Accounting Officer for the Department of Health as the Accounting Officer for the Summarised Account of the Microbiological Research Authority. His relevant responsibilities, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for keeping proper records, are set out in the Accounting Officers' memorandum issued by the Treasury and published in "Government Accounting" (HMSO).

The Certificate of the Comptroller and Auditor General to the Houses of Parliament

I have audited the financial statements on pages 143 to 151 which have been prepared under the historical cost convention as modified by the revaluation of fixed assets and the accounting policies set out on pages 146 and 147.

Respective responsibilities of Accounting Officer and Auditors

As described on page 152 the Accounting Officer, on behalf of the Secretary of State, is responsible for the preparation of financial statements. It is my responsibility to form an independent opinion, based on my audit, on those statements and to report my opinion to you.

Basis of opinion

I certify that I have examined the financial statements referred to above in accordance with section 98(4) of the National Health Service Act 1977 and the National Audit Office auditing standards, which include relevant Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the body's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements present fairly the net assets of the Microbiological Research Authority at 31 March 1995 and its income, expenditure, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with section 98(4) of the National Health Service Act 1977 and with the directions made thereunder by the Treasury.

John Bourn
Comptroller and Auditor General

29 February 1996

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